

Energy Balancing Credit Committee Meeting

19 March 2010

Teleconference

Participants

Joint Office (Non voting)

Bob Fletcher (BF) Chair

John Bradley (JB)

xoserve (Non Voting)

Loraine O'Shaughnessy (LO)

Mark Cockayne (MC)

Shippers (Voting)

Carl Wilkes (CW)

David Trevallion (DT)

John Costa (JC)

Richard Fairholme (RF)

RWE Npower

SSE

EDF Energy

E.ON UK

Shippers (Non Voting)

Jenny Higgins

Sarah Scott

Fiona Upton

RWE Npower

RWE Npower

RWE Npower

Apologies

Gavin Ferguson

Centrica

1. Introduction

BF welcomed the members to the meeting, which was quorate.

BF asked if the members were willing to accept attendance from three observers. The members agreed the observers were welcome to attend this particular meeting

2. Minutes and Actions from the Previous Meeting

2.1 Minutes

The minutes of the 19 February 2010 meeting, were accepted.

Actions Update

Action EBC 01/02: xoserve (MC) to check whether Shipper receiving two Further Security Requests in January 2010 should be of concern to EBCC.

Post Meeting Note from previous months minutes: MC confirmed the statement made at the meeting – the situation has resulted from business growth. In addition, MC clarified that the shipper concerned has been working with xoserve proactively to ensure that they have appropriate security in place. **Action Closed**

2.2

3. Operational Update

MC provided the following Operational update for February 2010:

3.1 Cash Call Notices:

During February 2010, 2 Cash Call Notices were issued, 1 was appealed and 1 withdrawn. No Further to Pay Cash Call Notices were issued.

3.2 Further Security Requests:

There were no Further Security Requests (FSRs) issued during February 2010.

3.3 Settlement:

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
January 2010	97.83%	100.00%
February 2010	99.85%	100.00%
Rolling 12 Months	99.50%	100.00%

MC explained there were no significant late payments to report in February, although one had been for a Shipper wishing to voluntarily terminate with a late paid admin charge of £40.00 in respect of their December Energy Balancing Invoice below £20.00. (Further details see 5.3 below)

4. Modification Proposals

4.1 Alternative to UNC 0233 Changes to Outstanding Energy Balancing Indebtedness Calculation

No further progress over the previous months report, xoserve had received draft legal text and were studying it in detail. A number of issues have been identified and MC expects to have further discussions with National Grid NTS and then circulate the legal text to members and Ofgem.

4.2 Further Security Request (FSR) Proposal

MC reported that a meeting had been held with the prospective Proposer (Corona Energy) to discuss details of this Proposal, though further development work was required and EBCC would be informed of progress.

4.3 Review of Network Operator Credit Arrangements

BF advised UNC Panel had approved the Review Group report and it is likely a number of Transporter proposals will follow. MC confirmed he has reviewed the report and is content there will be very little impact on EBCC. That said, it would be a useful exercise to track progress of any subsequent proposals to ensure UNC definitions are not changed, which may have a subsequent impact on EBCC.

4.4 Recovery of Rating Agency provider costs via Energy Balancing Neutrality.

MC advised that this proposal would be raised by National Grid to facilitate the recovery of costs for Rating Agencies and would be raised in conjunction with the alternate for UNC0233 and needs to be in place by December 2010.

4.5 UNC 0246 - Energy Balancing Modifications

MC does not believe there are any issues in these Modification Proposals for EBCC to be concerned with.

5. Any Other Business

5.1 Lehmans Issue

MC advised the Lehmans issues and associated banking problems has caused changes in behaviour due to increased costs for letters of credit and other forms of security. Parties are now providing cash and this sits in the cash call account. However, there is a risk that this money could be deemed a preferential payment by an insolvency practitioner. As a result in order to mitigate this risk xoserve has been working with National Grids legal team to develop a non registerable deposit deed. In addition xoserve has been working with its bankers to establish the most appropriate setup and

management of cash call and deposit accounts.

Shippers are reluctant to use the deposit deed as it needs to be registered at Companies House.. MC hoped to bring forward proposals to the next meeting . JC asked if there were many accounts for shippers, MC advised there were in excess of 200 Cash Call accounts for Shippers and these were used on a regular basis and each incurs costs.

DT asked how costs for operating the accounts are recovered; MC advised that the costs are offset against the neutrality account.

Members confirmed they were supportive of the approach proposed by and looked forward to reviewing the proposals at a future meeting.

5.2 Lehmans Debt

MC advised they had received an unsolicited offer from a company based in the USA offering to buy Lehmans debt. This was based on a number of options and close out of the offer was immanent. The offer required a claim to have been submitted and accepted. MC confirmed a claim had been submitted but as is the nature of these processes, the claim has still to be accepted.

MC asked members view as to whether the tender option proposed by GF was one that members wished to pursue. As was outlined in the earlier correspondence MC confirmed there is an option to go to tender seeking parties to purchase the debt . This could be done without the claim being accepted and the parties being aware of that risk. JC asked what was the value of the claim and MC confirmed it was approximately \$17m (£11,051,641.52).

DT asked if there was an expectation the claim would be acknowledged soon. MC was unsure and experience with Enron suggested 9 years wasn't unusual in these circumstances.

JC did have some concerns with the tender process as EDF had used a similar approach following Enron and they had found the process to be protracted.

Members agreed that the tender process looked to be the most viable option moving forward.

Action EBC01/03 xoserve to provide an update on the tender process to be followed for the recovery of Lehman debt.

5.3 Voluntary Discontinuance by User

MC advised that BHP Billiton Marketing AG wished to exit the market via the voluntarily discontinuance route. They operated one large site and this has been decommissioned. There is one minor issue as the company was one day late paying a small value invoice of less than (£20.00) and has incurred a late payment charge of £40.

MC confirmed pre-discontinuance sanctions are in place and internal checks have been run to ensure there is no outstanding debt. MC was aware that BHP Billiton's licence had been revoked in October 2009.

Members confirmed they agreed with the steps taken and termination should continue.

5.4 Joint Office Contacts

JB asked members to ensure he was removed from their contacts lists and any future emails for the Joint Office should be sent to enquiries@gasgovernance.co.uk. If an email is considered to be confidential it should be sent to bob.fletcher@gasgovernance.co.uk.

5.5 Notification of Alternates

CW advised that he would be moving to a project in RWE Npower and he wished to nominate Jennifer Higgins as his alternate for future meetings. CW agreed to provide an email specifying Jennifer as an alternate and providing her contact details.

6. Next Meeting

The next meetings:

Friday 23 April 2010, Teleconference starting at 10.00am;

Thursday 13 May 2010, Teleconference starting at 2.00pm;

Friday 25 June 2010, face to face meeting, venue to be confirmed starting at 10.00am.

Action Log – Energy Balancing Credit Committee: 19 March 2010

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC 01/02	19/02/10	3.2	Check whether Shipper receiving two Further Security Requests in January 2010 should be of concern to EBCC	xoserve (MC)	Closed
EBC 01/03	19/03/10	5.2	Provide an update on the tender process to be followed for the recovery of Lehman debt.	Xoserve (MC)	Pending