

Energy Balancing Credit Committee Minutes

Friday 08 April 2011

at 31 Homer Road, Solihull, B91 3LT

Participants

Joint Office (Non voting)

Bob Fletcher (BF) Chair

Xoserve (Non voting)

Loraine O'Shaughnessy (LO)

Mark Cockayne (MC)

Richard Cresswell (RC)

Shippers (Voting)

David Holland (DH)*

David Trevallion (DT)*

Jenny Higgins (JH)

John Costa (JC)*

Richard Fairholme (RF)

Gavin Ferguson (GF)

Observer

Ofgem (Non voting)

Tabish Khan (TK)

Apologies

Gary Russell

* by teleconference

1. Introduction

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

2. Minutes and Actions from the Previous Meeting

2.1 Minutes

The minutes of the previous meeting held on 25 February 2011 were accepted.

2.2 Actions

EBC 01/01: Circulate the comments received on the Non Registerable Deposit Deed to all EBCC members for their review.

Update: LO advised the comments had been circulated and the deed was on the agenda for discussion at the meeting. **Closed.**

EBC 01/02: EBCC members to consider comments on the Non Registerable Deposit Deed and respond to LO with any comments they may have by 11 February.

Update: Comments had been provided. **Closed.**

EBC 02/01: MC to advise on River Barle's response following their customer interface meeting later in the year.

Update: Action not discussed. **Carried Forward**

EBC 02/02: MC to provide a presentation on potential amendments at the April meeting.

Update: Presentation provided see item 6.2. **Closed**

EBC 02/03:EBCC members to review the modification and provide their feedback to the proposer.

Update: Feedback has been given to the proposer. **Closed**

3. Operational Update

MC provided the following Operational update for February and March 2011.

3.1 Cash Call Notices

During February there were 3 Cash Call Notices issued during February 2011 and 3 were paid.

During March there were 2 Cash Call Notices issued during March 2011, 1 was appealed and 1 was paid.

Further Security Requests (FSRs)

There was 1 Further Security Requests (FSRs) issued during February 2011 and it was settled.

There were no Further Security Requests (FSRs) issued during March 2011.

3.2 Settlement:

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
January 2011	99.30%	100%
February 2011	99.88%	100%
Rolling 12 Months	99.44%	100%

Month	Payment Due Date	Payment Due Date +2
February 2011	99.88%	100%
March 2011	100%	100%
Rolling 12 Months	99.44%	100%

3.3 Headline Update

MC provided a presentation explaining credit and risk management performance over the winter period. Overall performance was good, though there was an increase in the number of cash calls compared to the previous winter, the overall value of these notices was reduced.

JH asked if payment problems were more prevalent in the winter. MC confirmed that used to be the case. However, more recent experience indicates payment problems are usually down to one off mistakes or system problems. Though this is also due to the proactive stance taken by Xoserve to manage

the relationship with Users.

GF was pleased that there were no significant increase in payment problems over the winter compared to previous years. MC was pleased that there had been no significant failures and the sums at risk had been relatively low in comparison.

JC asked if Ofgem were provided with an annual update of performance to help with their understanding of potential risks. MC confirmed Ofgem were advised of issues on a case-by-case basis and that it may prove useful to provide a report. TK agreed it would be useful for Ofgem to see such a report.

New Action EBC 01/04:Xoserve to provide Ofgem with an annual report on credit risk performance over the previous year.

MC provided an overview of a recent customer satisfaction survey explaining that in most of the areas satisfaction was high, though there were a number of concerns around value added services, which he wished to explore with members to get a better understanding of their requirements.

4. Modifications

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

MC advised that the review of legal drafting is continuing and a number of issues have been discussed with National Grid, particularly around the clarification of definitions. Similar issues have been experienced this winter so there is still a requirement for the modification.

RC explained the timeline and that the aim was to get the modification to the June Panel. MC advised that they anticipated providing legal text prior to the June Transmission Workgroup to facilitate the production of a Workgroup report.

5. Significant Code Review Update

RF provided an update on the Ofgem Security of Supply Significant Code Review (SCR) and in particular the gas emergency arrangements and the associated impacts for EBCC.

There had been a suggestion that cash out prices should be unfrozen at stage 2 to allow the market to react to prices and therefore provide an incentive to end the emergency. Currently there is a risk that if cash out prices remain frozen, higher prices in other markets will prevent alternative sources entering the UK and so extend the duration of the emergency. By allowing a dynamic price will provide the market with appropriate incentives to act.

This may increase the risk and exposure for shippers as they wont be able to control the level of exposure they face and this could soon exhaust their available credit.

There have been indications that Ofgem are considering a compensation scheme for consumers where they are disconnected during a gas supply emergency due to no fault of their own. This will be based on the value of lost load principle – the cost where consumption would ease due to the cost of gas.

Ofgem intend to release their consultation on the initial responses in early June. EBCC members agreed it would be beneficial to hold a face to face meeting to discuss the proposals in more detail following publication.

New Action EBC 02/04: TK to arrange a meeting room for the EBCC meeting on 24 June.

MC confirmed the potential impacts on credit risk management could be significant during an emergency as most of the processes would need to be managed offline. JH asked if the process could be automated? MC confirmed they could but at a significant cost – though this needs to be considered against the likelihood of an event.

Members agreed that it would be beneficial if a response to the Ofgem consultation were submitted by EBCC.

6. AOB

6.1 Deed of Deposit

LO presented the recent changes and amendments to the Deposit Deed and Credit Rules. The group reviewed the comments submitted by David Trevallion and LO agreed to circulate a revised version of the deed once the changes had been included. LO advised that there are approximately 80 users who would be required to sign the deed.

JH asked if it was compulsory for parties to sign the deed. MC advised it was, though it is likely to take some time (possibly 6 months) as it was usually a lengthy process for large organisations to take such a document through their governance processes.

RF was concerned to know what steps would be taken if parties refused to sign the deed. MC advised that EBCC would be requested to consider the issue and discuss possible solutions.

GF asked if a progress update could be provided at regular intervals to ensure EBCC were aware of any potential issues.

New Action EBC 03/04: LO to amend the Deposit Deed and Credit Rules following discussion at EBCC and circulate amended copies to members.

New Action EBC 04/04: LO to consider an update process to monitor implementation of the deed and advise EBCC members.

6.2 Review of Financial Institution Aggregate Limits

RC gave an overview of the recent review of Financial Institutions Aggregate Limits. JH asked what the total value was for the secured limits? MC advised it was in the region of £305m with no single party higher than £25.6m.

MC advised the operational report has a section Financial Institution Aggregate Limits should members wish to discuss the content within their respective organisations. The report is published under the relevant meeting date on the

Joint Office website at www.gasgovernance.co.uk/ebcc

Members agreed that the limits should remain unchanged, though it would be prudent to review the limits on at least an annual basis.

RF asked if the adoption of Fitch would have an impact on the limits. MC thought this was unlikely as the limits were always based on the lowest value provide by the chosen credit rating companies.

6.3 Credit Risk Management Team

EBCC members were introduced to the Credit Risk Management Team

6.4 Voluntary Discontinuances

MC notified members of 3 companies that wished to voluntarily discontinue, these were:

River Dun (RF declared an interest and did not take part in the discussion) - MC advised there were no outstanding issues and members agreed the voluntary discontinuance should proceed.

River Glyme - MC advised there were no outstanding issues and members agreed the voluntary discontinuance should proceed.

River Culm (GF declared an interest and did not take part in the discussion) - MC advised there were no outstanding issues and members agreed the voluntary discontinuance should proceed.

7. Next Meeting

The next planned EBCC meetings is as follows:

Friday 27 May 2011 commencing at 10.30 by teleconference.

Friday 24 June 2011 commencing at 10.30 at Ofgem

Action Log – Energy Balancing Credit Committee: 08 April 2010

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC 01/01	28/01/11	5.3	Circulate the comments received on the Non Registerable Deposit Deed to all EBCC members for their review.	Xoserve (LO)	Closed
EBC 01/02	28/01/11	5.3	EBCC members to consider comments on the Non Registerable Deposit Deed and respond to LO with any comments they may have by 11 February.	All	Closed
EBC 02/01	25/02/11	2.2	Provide River Barle's response following their customer interface meeting later in the year.	Xoserve (MC)	On hold until August
EBC 02/02	25/02/11	3.2	Provide a presentation on potential amendments at the April meeting.	Xoserve (MC)	Closed
EBC 02/03	25/02/11	4.3	EBCC members to review the modification and provide their feedback to the proposer.	All	Closed
EBC 01/04	08/04/11	3.3	Provide Ofgem with an annual report on credit risk performance over the previous year.	Xoserve (MC)	Pending
EBC 02/04	08/04/11	5.0	Arrange a meeting room for the EBCC meeting on 24 June.	Ofgem (TK)	Pending
EBC 03/04	08/04/11	6.1	Amend the Deposit Deed and Credit Rules following discussion at EBCC and circulate amended copies to members.	Xoserve (LO)	Pending
EBC 04/04	08/04/11	6.1	Consider an update process to monitor implementation of the deed and advise EBCC members.	Xoserve (LO)	Pending