

Energy Balancing Credit Committee Minutes

Thursday 29 September 2011

By Teleconference

Participants

Joint Office (Non voting)

Bob Fletcher (BF) Chair

Shippers (Voting)

David Trevallion (DT)

Jenny Higgins (JH)

Richard Fairholme (RF)

Xoserve (Non voting)

Mark Cockayne (MC)

Lorraine O'Shaughnessy (LO)

Sandra Dworkin (SD)

Observer

Jonathan Wisdom (JW)

Ofgem (Non voting)

Apologies

David Holland (DH)

Gavin Ferguson (GF)

1. Introduction

BF welcomed the members to the meeting, which was quorate. Members considered it was appropriate for J Wisdom to be present as an observer during the meeting.

2. Minutes and Actions from the Previous Meeting

2.1 Minutes

The minutes of the previous meeting held on 29 July 2011 were accepted.

2.2 Actions

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

Update: MC advised a meeting had been held with River Barle and EBCCs views had been expressed to the party and the rules explained in great detail. This included the increases in security required due to the changes in the deposit deed. River Barle is going to consider their position and respond. **Carried Forward**

EBC 06/01: Draft a note for issue to Users advising them of available headroom for banks and the impacts of recent and future downgrades

Update: MC advised a note has not been circulated due to the fluidity of the current financial. He advised positions were changing frequently and parties need to be aware that these changes have potential impacts on Users. It is not the intention to issue a letter as normal

communication processes have been amended to update parties on a proactive basis. JH was happy with the change to process and that parties should talk to Xoserve prior to arranging a new bank **Action Closed**

EBC 06/02: Provide the expected reporting date for the SCR to enable a meeting of the EBCC to be arranged to review the implications.

Update: MC advised the SCR consultation is not expected until November and that it would be prudent to discuss the item at that time.
Carried Forward

3. Operational Update

MC provided the following Operational update for July and August 2011.

3.1 Cash Call Notices

During July and August there were 9 Cash Call Notices issued and 7 were paid; 2 were appealed and withdrawn.

Further Security Requests (FSRs)

No Further Security Requests (FSR) were issued during July and August 2011.

3.2 Settlement:

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
July 2011	100%	100%
August 2011	100%	100%
Rolling 12 Months	99.39%	100%

4. Modifications

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

MC reminded members that the modification would not be raised until the outcomes of the SCR are understood. A ROM is being arranged to get a view of costs going forward, an update is to be provided in due course.

4.2 Modification 0338 Remove the UNC requirement for a 'gas trader' User to hold a Gas Shipper Licence

MC advised that minor changes would be required to the process

should the modification be implemented, these are mainly to the User pays aspects and termination clauses'. The modification text adds an additional User type as a trader user and therefore the reporting would require amending.

A revised ACS is to be published soon and the modification does not increase risk from an EBCC point of view.

5. Significant Code Review Update

Item was not discussed.

6. Any other Business

6.1 Deposit Deed

LO advised of the progress made to date including stake holder communications. Users were notified during August of the required changes and actions required.

24 Users out of 80 have put the required security in place. 4 users have requested refunds of cash held on their behalf. 29 Users still need to respond to outline their intentions and 5 users are looking for voluntary discontinuance.

Of the original £34m cash held on behalf of Users, only £4m remains outstanding at this time.

MC thanked members for their support in the approval and implementation of the process.

Next steps -

Funds held on account are to be transferred to the new accounts next week prior to 1st October and listings of Users positions will be issued to affected Users.

An internal audit is to take place following implementation on 1st October to demonstrate that the process has been undertaken and implemented correctly.

An update is to be provided at the next meeting.

7. Any Other Business

7.1 Lehman's Commodity Services

MC advised of the background leading up to the termination of Lehmans and progress made to date on the recovery of the debt.

Initially there were two options for selling the debt – unproven and certified. EBCC had previously considered that certified debt was the preferred option to follow for the recovery of the debt.

A third option has been offered by Skaddens, which is to offer a discount (10%) on the debt prompt certification and would take about four weeks to put in place.

MC confirmed that post bankruptcy interest is not enforceable under US law.

MC explained that uncertified debt would likely lead to an significant discounting in prices offered due to the nature of energy balancing and the lack of understanding by debt recovery companies.

MC advised of recovery levels on previous claims against failed businesses.

RF asked if there were fees associated with the claim and MC confirmed these were currently in the region of £16k. RF asked if there was a risk that accepting a discount may not lead to certification of the debt. MC advised that this risk has not been identified.

MC advised that risk of recourse from the secondary market only applies to non-certified debts.

DT suggested waiting until Skaddens provide a view on the current market rates. MC advised that a briefing note is to be circulated following the meeting with Skaddens.

A short notice meeting to agree the option for seek debt recovery is to be arranged once the information is available.

7.2 Moodys, Standard and Poors

LO advised that invoices to the value of £18K had been paid and costs would be recovered in next month's invoices.

7.3 ScottishPower SCSL Ltd - Voluntary discontinuance

MC advised that the account has not had any activity since 2007 and this was due to an adjustment following a metering error. EBCC embers Unanimously voted to allow the voluntary discontinuance to proceed.

8. Date of Next Meeting

The next planned EBCC meeting is as follows:

Friday 28 October 2011 commencing at 10.30 by teleconference.

Action Log – Energy Balancing Credit Committee

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC 02/01	25/02/11	2.2	Provide River Barle's response following their customer interface meeting later in the year.	Xoserve (MC)	Carried Forward to
EBC 06/01	24/06/11	3.1	Draft a note for issue to Users advising them of available headroom for banks and the impacts of recent and future downgrades	Xoserve (MC)	Closed
EBC 06/02	24/06/11	5.0	Provide the expected reporting date for the SCR to enable a meeting of the EBCC to be arranged to review the implications.	Ofgem (TK)	Carried Forward to November