

Energy Balancing Credit Committee Minutes
Friday 28 October 2011
By Teleconference

Participants

Joint Office (Non voting)
Bob Fletcher (BF) Chair

Shippers (Voting)
David Holland (DH)
David Trevallion (DT)

Xoserve (Non voting)
Mark Cockayne (MC)

Observer

Ofgem (Non voting)

Apologies

Gavin Ferguson (GF)
Jonathan Wisdom (JW)

1. Introduction

BF welcomed the members to the meeting, which was not quorate, therefore an informal meeting was held.

2. Minutes and Actions from the Previous Meeting

2.1 Minutes

The minutes of the previous meeting held on 29 September 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 that no response had been received to date. An update is to be provided at the next meeting. **Carried Forward**

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 that meetings were/have taken place with Ofgem to explain the Energy Balancing regime to them. **Carried Forward**

3. Operational Update

MC provided the following Operational update for September 2011.

3.1 Cash Call Notices

During September there was 7 Cash Call Notice issued, 6 were paid; 1 was appealed and withdrawn.

Further Security Requests (FSRs)

No Further Security Requests (FSR) were issued during September 2011.

3.2 Settlement:

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
August 2011	100%	100%
September 2011	100%	100%
Rolling 12 Months	99.46	100%

4. Modifications

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

MC advised the modification is on hold pending the SCR.

4.2 Modifications 0395 - Limitation on Retrospective Invoicing and Invoice Correction and 0398 - Limitation on Retrospective Invoicing and Invoice Correction (3 to 4 year solution)

MC explained the aims of these modifications and the potential impacts on Energy Balancing, which was initially assumed to be minimal. However, there may be impacts on the recovery of outstanding debt and the process implemented following Modification 0235. That any debt recovery would be based on the month the debt was incurred to ensure parties who were operating at the time faced the risk. There is a view that these modifications may affect recovery of debt as they apply a cut off.

MC advised that it would be useful if the EBCC reviewed the modifications and provided their views to the proposers.

4.3 Draft Modification Customer Meter Claims Error Process

MC explained the draft modification and the proposers aims to protect Shippers from potential risk of a consumer claiming due to a meter error. The User is exposed due to limitations in UNC which limit the date of a claim and the Statute of limitations which potentially allows a claim significantly outside this limit.

This has a potential impact on Energy Balancing and he suggested Members provide their comments to the proposers representative.

5. Significant Code Review Update

Item was not discussed.

6. Any other Business

6.1 Deposit Deed

MC advised that the banking solution has moved forward and is in place and the accounts are being moved over.

There are still a number of Deposit Deeds still not in place, which are being investigated. However, the value of these has reduced from £4.3m to 3.7m

7. Any Other Business

7.1 MARKET OPERATOR (MO)

MC provided an update following a recent teleconference with the MO, and confirmed that they are considering their options for raising a modification to bring them in line with other Users to monitor exposure against an 85% utilisation whereas the UNC currently UNC Section X2.11.2 provides that the MO's indebtedness is monitored against 60% utilisation of credit limit. MC offered his assistance with drafting the Modification proposal. MC will provide the MO with a copy of a draft modification to give them a view on how they could amend UNC so that they are comparable with other Users.

MC explained to them the reason why 100% utilisation is not acceptable to the EBCC and they are content with the views expressed.

MC explained that the MO, manage their account on a daily basis to ensure their position is covered and there have been no issues in the last 3 years.

DT was in favour of the deposit deed so that they are treated the

same as River Ter. MC advised that they have no issue with this position, it is that the amount of cash they have to deposit is the issue, as they currently do not get the value of total cash held in the cash call account.

Both DT and DH were happy to proceed as discussed.

New Action EBC 10/01: MC to continue with discussions with the MO to provide the support required to help them draft a modification

7.2 Update on emergency meeting

Discussions had taken place with the party concerned and they have provided some initial views on how they intend to manage their risk.

7.3 Downgraded Banks

MC gave an overview of the review of bank securitisation for UNC undertaken earlier in the year (April 2011). Since then a number of banks have been downgraded which impacts around £30m of security and a number of Users.

Overall, this has impacted the aggregate position and available head room and that a number of Users have been impacted more than once.

MC advised another review should be undertaken and discussed at the next meeting. It would be prudent to undertake the review again following experience with Lehmans.

DT asked how the aggregate credit levels were determined. MC advised that originally AAA and AA companies were considered and was originally based on the America gas market. Further MC advised that default probabilities were considered over a 20 year period.

In addition, following experience with Lehmans the values have been scaled back to reduce exposure and increase headroom. However, recent changes have reduced the headroom again and hence the need for further review.

MC advised that a number of banks were fully utilised from a credit perspective and therefore members may want to consider additional banks to ensure it is not unduly difficult for Users to secure credit.

New Action: EBC 10/02 DT to provide a view on market positions for bank security.

7.4 Lehman's Commodity Services

MC advised that an action had been taken to discuss possible actions with Skaddens. A post meeting note to be circulated.

MC advised that he had spoken with GF outside the meeting as he was unable to attend and went on to outline GF's view that it would be helpful to seek feedback from the wider community via this committee given the value of the debt outstanding.

EBCC has an option to place the debt on the market but to agree the claim the trustees wish to negotiate a settlement. MC to seek views from members asking whether they are in favour of making a decision or allowing the circulation of information to a wider industry audience for consultations on the actions proposed.

New Action EBC 10/03: MC to circulate a post meeting note to seek views from members on the most appropriate way to respond to take this matter forward.

7.5 Customer Survey

MC advised the customer survey is to be issued again soon for review by members.

8. Date of Next Meeting

The next planned EBCC meeting is as follows:

Friday 25 November 2011 commencing at 10.30 at BOB have you confirmed where the meeting will be held?

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 06/02	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
EBC 10/01	28/10/11	7.1	MC to provide the support required to help the Market Operator draft a modification to amend provisions around utilisation to bring in line with other users	Xoserve (MC)	Pending
EBC 10/02	28/10/11	7.3	Provide a view on market positions for bank security.	Member (DT)	Pending
EBC 10/03	28/10/11	7.4	Circulate a post meeting note to seek views on members on the most appropriate way to take forward .	Xoserve (MC)	Pending