

**Energy Balancing Credit Committee Minutes**  
**Friday 25 October 2013**  
**Consort House, 6 Homer Road, Solihull B91 3QQ**

**Participants**

Bob Fletcher (Chair)	(BF)	Joint Office	Non-Voting
Lorna Dupont (Secretary)	(LD)	Joint Office	Non-Voting
Esther Sutton	(ES)	Shipper	Voting
Gavin Ferguson	(GF)	Shipper	Voting
Lorraine O'Shaughnessy	(LO)	Xoserve	Non-Voting
Mark Cockayne	(MC)	Xoserve	Non-Voting
Pauline Babb	(PB)	Shipper	Voting

**Apologies**

David Holland	(DH)	Shipper
John Costa	(JC)	Shipper
Dimuthu Wijetunga	(DW)	Shipper

**1. Introduction**

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

**2. Minutes and Actions**

The minutes from the previous meeting were accepted.

**EBC0401** Emergency Credit Rules - Xoserve to develop a draft structure for review and discussion.

**Update:** MC advised that some mind maps had been developed looking at the operation of EBCC and what rules would need to be relaxed during such an event. These had been included in today's presentation. **Closed.**

**3. Operational Update**

LO provided the following Operational update for September 2013.

**3.1 Cash Call Notices**

During September there were 7 Cash Call Notices, 3 were paid on the due date, 3 were appealed and withdrawn and 1 failure to pay cash call notice was issued.

**3.2 Further Security Requests (FSRs)**

There were 2 FSRs issued during September 2013; both were satisfied on the due date.

### 3.3 Settlement

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
August 2013	100%	100%
September 2013	100%	100%
Rolling 12 Months	99.90%	100%

There was one Failure to Pay Notice issued during September 2013. This was due to an overseas party who had no delegated authority in place - this has now been settled. Xoserve was working with the party concerned and assurances had been given that it should not arise again; the position will be monitored.

## 4. Modifications

An update was given on the status of the modifications of interest to the EBCC; of particular note was:

### 4.1 Modification 0429 – Customer Settlement Error Claims Process

MC explained the effects of this modification, Xoserve will be developing a process and it was likely to be further discussed at the Distribution Workgroup.

### 4.2 Market Operator Security Provisions

MC gave an update on the current position, confirming that the Deposit Deed will be in place with the required level of Security. He reported that the MO was moving to a different trading platform and had indicated that it may be considering decoupling certain provisions – this may impact on Xoserve's processes.

## 5. Significant Code Review Update – Security of Supply

Xoserve had given some thought to what step/actions might need to be contemplated/undertaken in an emergency situation and had captured these thoughts in the first instance as 'mind maps' (with individual box status showing as red, amber, and green) for the EBCC to begin to consider.

Four 'mind maps' had been provided, covering the following areas: Operating Processes; Priority of Scoring for EBCC meetings; EBCC Operation; and Relaxing current arrangements Business Rules. Each was considered in greater detail as MC explained the potential tasks/issues that might arise/be included. Various comments and suggestions were noted as discussions progressed.

### *Operating Process*

- Suspension of services – It might not be appropriate to suspend all services, but it should be possible to relax some of the rules regarding those in operation for cash collection, eg FSR. It was noted that EBCC

had the power to instruct not to do something or to restructure timings. Change to 'green'.

- System access – MC explained why this was 'red'. Having dormant accounts on standby ready for emergency use was discussed. GF was not comfortable with this and suggested looking for a different option, eg through SLAs.
- Shipper information – Contact lists may require rationalisation with the Customer Lifecycle Team's database, and continued relevance may need reviewing on a regular basis.
- Banking Services – The current limits, whilst sizeable, will probably not be sufficient to deal with a large-scale emergency. Initial discussions with Xoserve's bank service provider have indicated there is uncertainty regarding coverage. Further discussion will take place with the Treasury Team. This could be a major 'stumbling block'.
- Cost – provisions may not have been allowed for the drafting in of extra resources to deal with a large-scale emergency.
- Emergency Modification – A draft was previously prepared/under review, and Xoserve to discuss further with National Grid.

#### *Priority of Scoring for EBCC meetings*

This was looking at the prioritisation of which customers to deal with first in an emergency, eg if all had a £20m exposure – what would be the deciding factors in ranking priority.

- Payment trends and over or under delivery trends – MC explained the type of information held/could be captured. It could be presented in an anonymised form to the EBCC for its decision making.
- Portfolio growth – Regular information on market changes is produced; it is useful - trends can be perceived – but it is generally only used when some problems are recognised. This type of information could be used to feed into a scoring/sorting mechanism.

#### *Relaxing current arrangements Business Rules*

- Market Operator – All exposures are currently underwritten but the MO had indicated that the Billing cycle might be too long and this may have an effect.
- EBCC Meetings – Abstentions may be necessary and it may be challenging in terms of quoracy to get agreement on actions. Members are also likely to be actively engaged within their own organisations in the event of such a large-scale emergency.
- Cash Calls – The usual turn-around times might not work in an emergency situation. Though not wanting to change, it might be possible to 'relax' to be able to use more flexibly?
- Security – MC explained the heightened risks and exposures, and pointed out the reduced speed of any practical responses to notices.

GF commented that the decisions made by EBCC could significantly affect operations; resources may be the main issue at this time. MC had considered

what might be done to alleviate this - training, calling up and drafting in former team members with experience and/or appropriate skill sets, etc.

PB observed it would be good to agree in advance what the EBCC's reactions should be to various scenarios so that plans could be put into operation without wasting time on lengthy debates.

#### *EBCC Operation*

- Conflict of Interest – Quoracy (need at least 3 Members for each decision), independence, and personal liability may all be issues. Anonymisation of information was suggested to mitigate.
- Minutes – Format would need to be considered, brevity being a priority .
- Quoracy – Meetings can be called and then adjourned if necessary to gather enough support to achieve/maintain quoracy. It was agreed that Ofgem should have a presence at such meetings.
- Priorities on order of discussion – Factors/scoring mechanism to be agreed.
- Availability – No real control over this factor as Members are likely to be heavily involved in resolving their own organisations problems at this time; increasing the membership would increase the chances of alleviating difficulties with regard to quoracy.
- Chair – Three resources had been identified as potential Chairs.
- Communication – SLAs were in place with the Networks; existing templates could be adapted for use.
- Incident Room – This already exists within Xoserve for certain events; may need to be formally agreed for an EBCC large-scale emergency. MC was able to commandeer the Customer Lifecycle Team for support in particular circumstances.
- National Grid input – MC explained the subtle differences in his representative role as agent and in respect of the UNC. It was agreed a separate National Grid representative was not required to be involved.

#### *Next Steps*

It was suggested that contingency plans would be needed so that the EBCC could call upon these 'off the shelf' in the event that rapid response was required - an 'Emergency Manual' could be created.

#### **Action EBC1001: SCR – Review 'mind maps' and submit comments/suggestions to MC for further consideration.**

It was noted that MC would report to the UNC Transmission Workgroup that EBCC are working on a set of rules to enable the EBCC to function in large-scale emergencies and will provide updates on progress made.

## **6. Bank Ratings Review**

It was observed that global stability had increased. MC noted there was an increase in Letters of Credit rather than cash – a more positive sign that the

financial climate was changing. Introduction of the Deposit Deed also seems to have added to stability, as has the change to the banding, with more moving from A1 to A2. Graphs were presented to illustrate the position.

Moody's had completed its review and Standard & Poor's was in progress. Monitoring of financial institutions that are on watch for potential downgrading is continuing.

MC advised that Xoserve was changing its financial information service provider to Graydon ([www.graydon.co.uk](http://www.graydon.co.uk)), following a comparison of four agencies and a reassessment of requirements and service. The level of service was anticipated to be more cost effective and provide access to a greater number of reports during the period.

## 7. Process Overview

### *Review since April 2013*

MC gave an update, reporting that the focus of the team's efforts was now directed to Security more so than cash collection.

Referring to the Lehman's experience GF drew attention to the foreign exchange (FX) exposures and, whilst noting that this had turned out to be positive in this instance, suggested that the process could be reviewed to take an active consideration of any such elements/exposures in any future events and how these might be managed. MC agreed to assess what could be done in respect of 'outside Europe' cases and discuss with the Treasury Team.

**Action EBC1002: Future Failures 'outside Europe' - Consider how to manage foreign exchange (FX) risks/exposures going forward.**

It was noted that an internal audit had been very successful; an external audit will take place in January 2014.

## 8. Focus for 2013/14

Attention was drawn to the key areas, and MC gave a brief update.

### *EBCC profile*

New members were asked to complete a template/ personal profile for publication on the Joint Office website.

A customer survey will be issued in November to all EBCC members old and new. However, it was noted that it was really too early to expect/include views of new members appointed for 2013/14.

### *Emergency Credit Rules*

See 5, above.

### *European Developments*

A watching brief is being maintained.

## 9. Any Other Business

### 9.1 EU Third Energy Package Update

MC gave a brief update on the following EU Network Codes.

*Congestion Management Procedures (CMP) and Capacity Allocation Mechanisms* - Looking at impacts from an Energy Balancing perspective the Terminations process was potentially affected. An internal workgroup had been set up to review issues and assess interactions/impacts between Gemini and PRISMA.

*Balancing* - A watching brief is being maintained on developments.

*Interoperability and Data Exchange* – There may be some issues in respect of reporting.

*Tariffs* – Framework Guidelines still under consultation.

An EU workgroup has been set up internally to assess prospective changes. The continuing developments associated with the EU, Nexus and Smart Metering mean that a period of great change is approaching. Across Xoserve more resources are being released to various projects but the Credit Team remains relatively stable at the current time. MC advised that LO was likely to be drafted away at some point in 2014 to support the EU focus as EU developments gathered momentum, but that new resources will be brought in/trained.

## 9.2 Winter Planning

For the benefit of new Members an introductory meeting to run through the operation of an emergency meeting will take place in November.

LO requested that all Members provide details of their planned holidays/periods of unavailability to her as soon as possible.

**Action EBC1003: *Winter Planning* - All Members to provide details of their planned holidays/periods of unavailability to LO as soon as possible.**

## 9.3 Risk Register

An update was given on the status of the risks; of particular note was H9. MC outlined the background to the raising/rejection of Modification 0233. Despite the rejection the principles had been kept on hold (it is firmly believed that the EBCC need to be able to act more quickly in such situations as Lehman's), and dialogue has reopened with National Grid.

It was suggested that the scaling range for a risk be provided to Members improve understanding of the assessment of gravity/severity.

**Action EBC1004: *Risk Register* - Provide to Members details of the scaling range for risks.**

No additional risks have been identified; however it was suggested that the provision of sufficient resources going forward might become an issue and perhaps should be added as a standing item.

## 9.4 Voluntary Discontinuance

MC outlined the high level process for the benefit of the new Members.

Two parties (A and B) had requested voluntary discontinuance.

*Party A*

Party A had applied for revocation of its licence. LO gave an update on progress so far, noting that this was part of a wider rationalisation exercise on the part of Party A's parent organisation.

Two Members agreed to Party A's discontinuance; one Member abstained (conflict of interest). LO will write out to other Members not present to seek agreement.

#### *Party B*

LO gave an update on progress so far, noting that this was part of a wider rationalisation exercise on the part of Party B's parent organisation.

The three Members present agreed to Party B's discontinuance.

### 10. Date of Next Meeting

The next EBCC meeting will take place via teleconference, starting at 10:30 on Friday 29 November 2013.

### Action Log – Energy Balancing Credit Committee

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC0401	26/04/2013	10	<i>Emergency Credit Rules</i> - Xoserve to develop a draft structure for review and discussion.	Xoserve (MC)	<b>Closed</b>
EBC1001	25/10/13	5	SCR – Review 'mind maps' and submit comments/suggestions to MC for further consideration.	ALL Members	<b>Pending</b>
EBC1002	25/10/13	6	<i>Future Failures 'outside Europe'</i> - Consider how to manage foreign exchange (FX) risks/exposures going forward.	Xoserve (MC)	<b>Pending</b>
EBC1003	25/10/13	9.2	<i>Winter Planning</i> - All Members to provide details of their planned holidays/periods of unavailability to LO as soon as possible.	ALL MEMBERS	<b>Pending</b>

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC1004	25/10/13	9.3	<i>Risk Register</i> - Provide to Members details of the scaling range for risks.	Xoserve (LO)	<b>Pending</b>