

Energy Balancing Credit Committee Minutes
Friday 23 May 2014
By Teleconference

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office	Non-Voting
David Holland	(DH)	Shipper	Voting
Dimuthu Wijetunga	(DW)	Shipper	Voting
Gavin Ferguson	(GF)	Shipper	Voting
Pauline Babb	(PB)	Shipper	Voting
Esther Sutton	(ES)	Shipper	Voting
John Costa	(JC)	Shipper	Voting
Lorraine O'Shaughnessy	(LO)	Xoserve	Non-Voting
Stephen Jarvis	(SJ)	Ofgem	Non-Voting
Tom Farmer	(TF)	Ofgem	Non-Voting

Apologies

Mark Cockayne	(MC)	Xoserve
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1. Introduction

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

2. Minutes and Actions

LO advised that there was an error in the previous meetings minutes whereby the minutes should read in Section 5.1 "Xoserve will write out to all Users with a forecast of Security Values calculated at £14 a therm based on Users peak exposures for previous 12 months for 3 days' non-deliverability. It was agreed that this could be carried out annually as part of the normal renewal process." This also amends action 0402.

Members agreed the minutes should be amended and republished.

The minutes from the previous meeting were accepted.

EBC 1002: Future Failures 'outside Europe' - Consider how to manage foreign exchange (FX) risks/exposures going forward

Update: LO advised that scenarios had been discussed with National Grid's Treasury team to identify what could have been done differently. It was concluded that it would be difficult to plan scenarios and hedge in advance of failure where the value of the debt is unknown and any costs incurred may not be justified by the recovery. **Carried Forward**

EBC 0401: *Review of Mind Maps: Provision and deployment of extra resources* – Establish how costs might be funded/recovered.

Update: Not discussed **Carried Forward**

EBC 0402: Xoserve to write out to all Users with a forecast of Security Values calculated at £14 a therm based on Users peak exposures for previous 12 months.

Update: During the discussion on SCR LO advised that this is underway and will be sent to all customers shortly. **Carried Forward**

EBC 0403: *Review of Mind Maps: EBCC Operation* - MC to establish and engage with an appropriate Ofgem contact to support the EBCC in the event of market failure.

Update: Not discussed **Carried Forward**

EBC 0404: *Review of Mind Maps: EBCC Operation* - MC to establish and engage with an appropriate National Grid NTS contact to support the EBCC in the event of market failure.

Update: Not discussed **Carried Forward**

EBC 0405: *Review of Mind Maps: EBCC Operation (Minutes)* – Review previous templates and devise/streamline where appropriate for use in an emergency situation.

Update: Not discussed **Carried Forward**

EBC 0406: Reissue profile Templates for Members to complete.

Update: Not discussed. **Carried Forward**

3. **Operational Update**

LO provided the following Operational update for April 2014.

3.1 **Cash Call Notices**

During April 2014 there were two Cash Call Notices issued and both were withdrawn following appeal.

3.2 **Further Security Requests (FSRs)**

There were no FSRs issued during April 2014.

3.3 Settlement

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
March 2014	100%	100%
April 2014	99.75%	100%
Rolling 12 Months	99.98%	100%

One Failure to Pay Notice was issued during April 2014, this was due to a late payment following a banking error by the party concerned and this had an impact on cash collected.

4. Modifications

Not discussed

5. Significant Code Review Update – Security of Supply

LO advised that Ofgem had requested setting up a conference call to discuss some of the issues that EBCC have been discussing at recent meetings and MC advised that it would be beneficial to join the meeting today. LO confirmed that Ofgem wanted to get up to speed on some of the thinking that has already been done on how credit arrangements work in an emergency, understand the next steps that members might envisage being taken to develop and implement any changes that may need to be made and get some clarity on the specific nature of the estimates EBCC had done of potential GDE security requirements resulting from the gas SCR.

SJ and TF joined the meeting at this point.

SJ asked what preparation had been considered by EBCC and what some of the issues were likely to be. They had considered the discussions in previous meeting and wanted to get a feel for what was being considered.

LO explained that mind maps had been developed to identify risks and areas of concern during an SCR incident. The aim was to understand the impacts on the process and what mitigation could be built in. One example was consideration of the credit rules and what processes should these be relaxed during such an event, one of these is the Further Security Process as it would not be beneficial to ask Users to maintain a high level of security for 90 days after the event.

LO advised that consideration was being given to re-raising “Modification 0233V – Changes to Outstanding Energy Balancing Indebtedness Calculation” as it would facilitate the use of more up to date information than currently available to provide the power to calculate shippers Anticipated balancing Indebtedness

(ABI)

TF wanted to understand whether impacts could arise as a direct consequence of the SCR or could they happen now should there be extreme fluctuations in prices. He wanted to do further analysis on the relaxation of rules. TF suggested that parties are mindful of the reasons why Modification 0233V was rejected, this was mainly due to a lack of transparency and how it would actually operate in practice, these issues would need to be addressed.

SJ requested an understanding to the calculation provided on the consultation response from EBCC members LO explained that the overall security requirements were based on £360m at £20/therm and was approximately £10.8bn. The current collective position of Security has increased to £392m and applying the same calculation using £14 / therm was estimated to be £7bn. during an SCR event. SJ asked if the calculation is different. LO advised that the calculation is the same, the price per therm is different.

SJ asked if the peak level of security required is just before an event or is it calculated over a longer period of time. LO advised that the estimate of security required is based on the previous 12 months peak exposure for existing Users although for new users this is based on 3 days deliverability in accordance to the Energy Balancing Credit Rules..

TF was keen to see the industry progress the issues raised so that there is a process to be adopted in such an event and he asked for an email to be provided based on the discussions so far and the calculations for security.

LO also addressed the issue with the Neutrality Bank Account and advised that they had been in contact with their bank to seek confirmation on increases to overdraft levels in this event.. The bank advised that has not been possible to calculate due to the uncertainty around actual values and risk. SJ were aware of this issue and they were hoping to structure the rules so that the account remains balanced.

LO advised that in addition to finding the relevant funds for energy balancing purposes, shippers will also be exposed to the Market Operator security arrangements which are calculated by reference to price and will therefore increase concurrently.

LO pointed out that there would be immediate impacts on traders, as they would need to increase security levels as a result of higher prices for trading on OCM. TF advised this was being considered in the analysis and options. SJ noted that there were ups and downs based on the SCR proposals and existing arrangements, which have been analysed.

JC asked how the SCR process is going to be taken forward, would Ofgem be raising modifications. TF did not foresee Ofgem raising modifications as in their view the industry would be in a better placed to develop modifications where required.

LO went on to explain that there is a risk that with multiple defaulting Users, EBCC may not be able to resource meetings due to member's commitments to their business and the potential for conflicts of interest. National Grid NTS default position is to terminate in such circumstances unless advised otherwise by EBCC – this may lead to more terminations. SJ was keen to see industry

develop solutions to resolve these issues.

SJ agreed raise Ofgem attendance at both emergency and operational EBCC meetings in future to support the operation of EBCC.

New Action EBC 05/01: LO to summarise the calculation discussed during the meeting and provide to Ofgem via email.

New Action EBC 05/02: SJ to raise the need for Ofgem contacts/attendance at EBCC operational and emergency meetings.

6. Bank Ratings Review

Not discussed

7. Any Other Business

None raised.

8. Date of Next Meeting

EBCC meetings scheduled for 27 June 2014 by teleconference:

Date	Location
Friday 27 June 2014, 10:30	Via teleconference
Friday 25 July 2014, 10:30	Via teleconference
Friday 29 August 2014, 10:30	Via teleconference (to be reviewed at July meeting)
Friday 26 September 2014, 10:30	Via teleconference

Action Log – Energy Balancing Credit Committee

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC1002	25/10/13	6	<i>Future Failures 'outside Europe'</i> - Consider how to manage foreign exchange (FX) risks/exposures going forward.	Xoserve (MC)	Carried Forward

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC 0401	30/04/14	5.1	<i>Review of Mind Maps: Provision and deployment of extra resources</i> – Establish how costs might be funded/recovered.	Xoserve (MC)	Carried Forward
EBC 0402	30/04/14	5.1	Xoserve to write out to all Users with a forecast of Security Values calculated at £14 a therm based on Users peak exposures for previous 12 months.	Xoserve (MC)	Carried Forward
EBC 0403	30/04/14	5.1	<i>Review of Mind Maps: EBCC Operation</i> - MC to establish and engage with an appropriate Ofgem contact to support the EBCC in the event of market failure.	Xoserve (MC)	Carried Forward
EBC 0404	30/04/14	5.1	<i>Review of Mind Maps: EBCC Operation</i> - MC to establish and engage with an appropriate National Grid NTS contact to support the EBCC in the event of market failure.	Xoserve (MC)	Carried Forward
EBC 0405	30/04/14	5.1	<i>Review of Mind Maps: EBCC Operation (Minutes)</i> – Review previous templates and devise/streamline where appropriate for use in an emergency situation.	Xoserve (LO)	Carried Forward
EBC 0406	30/04/14	5.1	Reissue profile Templates for Members to complete.	Xoserve (LO)	Carried Forward

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC 0501	23/04/14	5.0	LO to summarise the calculations discussed during the meeting and provide to Ofgem via email	Xoserve (LO)	Pending
EBC 0502	23/04/14	5.0	SJ to raise the need for Ofgem contacts/attendance at EBCC operational and emergency meetings.	Ofgem (SJ)	Pending