

**Energy Balancing Credit Committee Minutes**  
**Monday 24 November 2014**  
**At 31 Homer Road, Solihull B91 3LT**

**Attendees**

Bob Fletcher (Chair)	(BF)	Joint Office	Non-Voting
Dimuthu Wijetunga	(DW)	Shipper	Voting
Esther Sutton	(ES)	Shipper	Voting
Gavin Ferguson	(GF)	Shipper	Voting
Gemma Truran	(GT)	Shipper	Non-Voting
James Hill	(JH)	Shipper	Voting
Lorraine O'Shaughnessy	(LO)	Xoserve	Non-Voting
Mark Cockayne	(MC)	Xoserve	Non-Voting

**Apologies**

Pauline Babb (PB)

**1. Introduction**

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

**2. Minutes and Actions**

The minutes from the previous meeting were accepted.

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

**Update:** MC provided an update during the meeting of the available resources and those that could be deployed should they be required – see 5.0 below.

**Closed**

**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:** MC advised that discussions have taken place with our analytical team to review an appropriate method of calculation and once established will discuss at EBCC meeting. Ongoing

**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:** MC advised that a contact had been provided by National Grid to

discuss this issue further. It is likely that the contact will be the emergency manager – see 5.0 below.

**Closed**

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

**Update:** MC advised that appropriate steps had been taken to consider the operation of the EBCC and associated documents. These would be discussed in more detail at a future meeting – see 5.0 below.

**Closed**

**EBC 1001:** Write a response to the User advising review is to be undertaken and their security arrangements will not be changed prior to the review.

**Update:** MC advised that a letter had been sent to the User concerned explaining the actions agreed at the last EBCC meeting. The view is their security values will need to be increased but not to the same amounts as previously thought due to their declining portfolio and steps in the way they operate in the market.

**Closed.**

**EBC 1002:** Identify if it is possible for a Company to nominate more than one Member of EBCC.

**Update:** BF advised that none of the UNC related Workgroups or Committees, which have defined membership, have provision to allow more than one candidate from a company. There would need to be a review of the governance for EBCC membership and that it would be useful to seek a view from UNCC before considering such a change.

Members were still concerned that membership is declining and that there should be consideration of the process and how it should be managed should it be difficult to obtain quoracy at a meeting. GF suggested that it might be beneficial to appoint more than one standing alternative to increase the options for attendance.

**Closed**

**New Action EBC 1101** – Clarify the process for appointing alternatives and if it is possible for each member to nominate more than one standing alternate.

**New Action EBC 1102** – Clarify the process for the appointment of alternates by the emergency EBCC chair.

**3. Operational Update**

MC provided the following Operational update for October 2014.

**3.1 Cash Call Notices**

During October 2014 there were two Cash Call Notices issued, and both were appealed and withdrawn.

**3.2 Further Security Requests (FSRs)**

There were no FSRs issued during October 2014.

**3.3 Settlement**

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
September 2014	100%	100%
October 2014	100%	100%
Rolling 12 Months	99.98%	100%

There were no Failure to Pay Notice issued during October 2014.

**4. Modifications**

**Replacement for Modification 0233V**

GF asked if Modification 0233V replacement is still needed. MC confirmed it is and work would continue to develop a viable replacement for submission to the Modification Panel. LO advised that the aim is to review the reasons for the previous rejection by Ofgem to aid the modifications development. MC advised that National Grid NTS were putting resources into the Demand Side Response project, which is to report by December 2015 and this was impacting development of the Modification 0233V replacement. GF was concerned that this was too long a period of time to risk holding the development of the modification and it should be brought forward. MC agreed to review this position.

**New Action EBC 1103** – MC to discuss with National Grid NTS to draft modification

**5. Significant Code Review (SCR) Update – Security of Supply**

**Mind Maps**

**Operating Process**

MC provided an overview of the SCR process: Ofgem published their final proposal on 12 February 2014 and EBCC provided a response on 11th April 2014. Ofgem published the notice of implementation on 23 September 2014 with implementation to be effective from 05.00 hrs on 01 October 2015

Work is currently underway to put in place operational procedures in line with the mind maps previously discussed.

MC provided an overview of the support required from the credit team to manage SCR changes and other associated projects such as European developments.

GF asked how the impact on credit is being considered. MC advised that there is still the potential for significant exposure when considering the £14.00p/therm. Xoserve still intend to write to individual Users to discuss their individual exposure levels once the level of risk has been identified. The management of the process is still a concern as there currently is not the required level of experience to call on.

### **Suspension of Services**

MC gave an overview of the process mind map associated with this process. He explained that the process to be adopted is to continue with the notices that should be issued however, as previously agreed the FSR process would be put on hold. This would allow users time to correct their position before termination is considered. There is no recommendation to put the process into hold at any other stage as it increases exposure to risk. Action change status from Red to Green.

### **System Access**

MC provided an overview of the proposed team structure to manage such events, such as subject matter experts who can support the operational and business engagement teams during such an event.

MC confirmed that the usual 5 day SLA for system access can be overridden in circumstances where there is an emergency to ensure relevant data is available to support the process. Action: Change from Red to Amber

### **Banking Service/Cost**

MC advised that discussion to seek a possible increase in overdraft levels with bankers in times of an emergency had not been successful. The bank was prepared to offer a short-term loan arrangement but not an overdraft – the cost of the loan would need to be paid by the industry. Members had no issues with recovery through Neutrality. The removal of the overdraft facility could impact payment performance in an emergency event, although future meetings are planned to take forward the discussion.

MC advised the team is attempting to develop a score card based on individual users to help identify possible behaviours and risks between parties.

EBCC Operation - Mind Map

### **Priorities on Order of Discussion**

MC provided some examples using a priority score-card method and a summary of risk profiling against these scores. They aim to seek assistance or benchmark against other industry experts who may be able to support the risk profiling. They aim to contact the pension protection fund to ask how they manage their risk profiling and whether it would be useful to consider.

Members agreed that it is difficult to get the balance between being over secured as an industry but being under secured on an individual company basis. MC confirmed there were other options to consider such as self insurance, with members paying a fee until the scheme is self funding e.g. ATOL.

DW explained that the power market had been going through a similar process to attempt to reduce the security required on a market basis. GF agreed but was concerned that the settlement delay for gas is much longer than in power, which increases the risk.

MC advised that they are considering risk profiling through Experian to get an informed consideration of risk.

### **Availability**

Members expressed their continued concerns about maintaining quoracy at meetings with the limited number of people available.

### **Incident Room**

MC suggested changing status from Amber to Green – No issue as priority would be given.

### **Ofgems Role**

MC advised that John Dixon or Tom Culcott have provided assurance they would be the contacts in an GBA situation. Status to move from Amber to Green

### **Minutes**

MC advised that additional secretarial support would be available to produce minutes or alternatively temporary staff could be put in place. Move from Amber to Green.

### **National Grid NTS Input**

MC advised that the Incident Manager Darren Lond or Mike Thorne from National Grid would be our contacts. Change status to Green.

## **6. Bank Ratings Review**

MC provided an update on the current bank ratings review.

MC advised that Barclays have refused to trade with a new potential User as they are on the EU and US sanctions list for Russia. Their credit is good but they cannot be included in the process until the sanctions are removed. MC advised that National Grid's Treasury department have advised that no other banks are willing to trade with this party at present due to these restrictions.

Ofgem have been made aware of this issue and an urgent modification is being considered which would prevent a User being admitted if they can't process (pay and receive) a payment.

A meeting is to be arranged with National Grid to consider drafting the modification.

GF was concerned that this would prevent new Users with this issue assigning to Code, however with regards to another party this could have a significant risk with regards to making payment to the User. MC advised that a contingency arrangement is in place where credits are paid into the Users Cash Call Account. DM advised that this would be an issue if a debit issue is issued where the funds have been depleted. MC confirmed that it would and until the User is in a default position, no action can be taken.

### **Bank availability.**

MC confirmed that a change was made to the EBCR some time ago to wherefore the definition Financial Institute would constitute insurance companies could be used for security should they meet the requirements specified in the EBCR

## **7. Letter concerning Non Registrable Deposit Deed**

See update to action EBC 1001 above.

## **8. Review Since April 2014**

MC gave an overview of performance since the April review. Team members have been working hard to become accredited with the Institute of Credit Management and this is to be followed by further training commencing in January.

For future consideration:

MC asked if there was anything significant that Xoserve should be focusing on that was not underway, GF suggested Modification 0233V replacement Russian sanctions and Quoracy should be considered as

priority topics for discussion. JH suggested raising the EBCC profile with the Gas Forum to seek additional members.

**9. Risk Register**

The register has been update, with updates highlighted.

**10. Team Structure**

MC provided an overview of the changing team structure.

**11. Any Other Business**

None raised.

**12. Date of Next Meeting**

Members agreed that it would be beneficial to plan meetings for the 4<sup>th</sup> Monday in each month from January 2015 onwards.

**EBCC meetings scheduled as follows:**

Date	Location
Monday 22 December 2014,10:30	Via teleconference

**Action Log – Energy Balancing Credit Committee**

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 – Establish how costs might be funded/recovered.</i>	Xoserve (MC)	<b>Closed</b>
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)	<b>Carried Forward</b>

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<b>EBC 0404</b>	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)	<b>Closed</b>
<b>EBC 0405</b>	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)	<b>Closed</b>
<b>EBC 1001</b>	24/10/14	7.0	Write a response to the User and advising review is to be undertaken and their security arrangements will not be changed prior to the review	Xoserve (MC)	<b>Closed</b>
<b>EBC 1002</b>	24/10/14	8.6	Identify if it is possible for a Company to nominate more than one Member of EBCC	Joint Office (BF)	<b>Closed</b>
<b>EBC 1101</b>	24/11/14	2.0	Clarify the process for appointing alternatives and if it is possible for each member to nominate more than one standing alternate.	Xoserve (MC)	<b>Pending</b>
<b>EBC 1102</b>	24/11/14	2.0	Clarify the process for the appointment of alternates by the emergency EBCC chair.	Xoserve (MC)	<b>Pending</b>
<b>EBC 1103</b>	24/11/14	4.0	Discuss with National Grid NTS drafting of modification for Mod 0233V successor	Xoserve (MC)	<b>Pending</b>