

# Energy Balancing Credit Committee Meeting

## 22 January 2010

### Teleconference

#### Participants

##### Joint Office (Non voting)

John Bradley (JB) Chair

##### xoserve (Non Voting)

Loraine O'Shaughnessy (LOS)

Mark Cockayne (MC)

##### Shippers (Voting)

Carl Wilkes (CW)

David Trevallion (DT)

Gary Russell (GR)

Gavin Ferguson (GF)

Richard Fairholme (RF)

RWE

SSE

Corona Energy

Centrica

E.ON UK

##### Ofgem (Non Voting)

Andrew Pester (AP) for item 2.1

Raihana Braimah (RB) for item 4

##### Apologies

John Costa (JC)

EDF Energy

#### 1. Introduction

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

#### 2. Minutes and Actions from the Previous Meeting

##### 2.1 Minutes

AP began by referring to the meeting held on 22 May 2009. He acknowledged the Committee's reason for not amending the minutes of that meeting when raised at the 20 November 2009 meeting, but emphasised the importance of the industry receiving an accurate reflection of Ofgem's reasons for its rejection of Modification Proposal 0233V. The Committee therefore agreed to include the following statement from AP as his recollection of the discussion:

*"JB advised that Proposal 0233V had been rejected by Ofgem. AP outlined the reasons for this. Ofgem was sympathetic to the intent of the Proposal but was concerned in respect of reduced transparency and increased uncertainty on timing and the criteria used, particularly where any data in the public domain might be used to re-calculate User's Anticipated Balancing Indebtedness (ABI). Ofgem also noted that the proposer and a number of respondents considered that the proposal potentially reduces discrimination. Ofgem said they require more information regarding its potential impact on the efficient discharge of the licensee's obligations. Ofgem also said that were a similar proposal to be raised again they would welcome further consideration and clarity of the rights of a user to appeal (as outlined in Ofgem's decision letter). Members expressed some difficulty in understanding Ofgem's reasons as they viewed the proposed process as transparent.*

*Ofgem encouraged members to fully consider Ofgem's decision letter and offered to discuss this matter further. Members welcomed the offer and requested the Joint Office to hold a meeting with Ofgem to which a commercial representative of British Gas Trading and MC would be invited.*

**Action EBC06/05: Joint Office (JB) to arrange meeting with Ofgem to discuss this matter further, following the rejection of Proposal 0233V."**

The Committee also agreed to place a note in the Minutes of 22 May 2009 to alert readers to this statement.

JB also reported that he had received a proposed amendment to the wording within item 1 in the minutes of 20 November 2009 so that they read:

*“Unfortunately, due to staff constraints, Ofgem would not be attending or phoning in to meetings in the future, as regular attendees.”*

This recognised that there might be instances where Ofgem would participate (such as that day).

This revision was accepted.

## 2.2 Actions Update

**EBC02/04:** xoserve (MC) to draft a UNC Modification Proposal for revised Further Security Request provisions.

See item 4.2 below **Closed**

**EBC 01/10:** xoserve (MC and LOS) to put together a timeline on how this proposal would operate. Cascade to members for further comments

This had been circulated for comments. **Closed**

The following new action was then agreed:

**Action EBC 01/01: Committee Members to provide any comments on the Further Security Request Proposal by 29/01/2010**

**EBC 04/10:** xoserve (MC) to check whether specific terminated names can be used in the slide pack circulated. **Carried Forward.**

**EBC 01/11:** xoserve (MC) to contact the American solicitors for a written evaluation of the offer received in connection with the Lehman's debt.

See item 5.0 below. **Closed**

## 3. Operational Update

As the Committee had not met in December, LOS provided the following Operational update for November and December 2009:

### 3.1 Cash Call Notices:

During November 2009, one Cash Call Notices (CCNs) was issued, which was paid on the due date. No Failure to Pay (FTP) Notices were issued.

During December 2009, eight CCNs were issued, all of which were paid on the due date. No Failure to Pay (FTP) Notices were issued. LO commented that these eight requests were made on two Users.

### 3.2 Further Security Requests:

There were no Further Security Requests issued during November 2009 and two in December 2009. |

### 3.3 Settlement:

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
October	99.98%	100.00%
November	99.99%	100.00%
December	99.86%	100.00%
Rolling 12 Months	99.61%	100.00%

## 4. Modification Proposals

### 4.1 Changes to Outstanding Energy Balancing Indebtedness Calculation

MC outlined this draft proposal that had been placed on the Joint Office website. National Grid NTS was prepared to sponsor this Proposal and considered that it met the concerns expressed by Ofgem in its rejection letter for 0233V.

Whilst the legal text was not ready, National Grid NTS had been through the Proposal with an external lawyer, who had extensive experience of the Uniform Network Code and its predecessor.

MC was intending to attend the February 2010 Transmission Workstream and asked for comments by 17.00 on 26 January 2010.

**Action EBC 02/01: Committee Members to provide any comments on the Balancing Indebtedness Proposal by 26/01/2010**

#### **4.2 Further Security Request Proposal**

LOS gave the presentation of this draft Proposal, which had previously been circulated and was placed on the Joint Office website soon after the close of the meeting.

The presentation provided examples of the current rules and the option favoured by members at the October meeting. This Option would see a third FSR within a 28 day measurement period triggering the reduction to the face value of security held by 20% and the retaining of any security in place for a minimum of 12 months (for the avoidance of doubt such reduction would not reduce the amount of security held).

MC assured RB that xoserve would assist Users in their understanding of the process. Action 01/01 had already been placed on members to comment on this proposal including the timeline element.

MC indicated that he was not intending to table this Proposal at the February 2010 Transmission Workstream as he wanted it to be thoroughly prepared. As Corona Energy had offered to sponsor the Proposal, MC would also be having further discussions with GR.

#### **5. Lehman**

Whilst there had been press reports on the settlement of Lehman's debts, MC explained that this was for a different company from that which had accumulated the UNC Energy Balancing Debt.

The position was therefore that the Committee should consider the result of the approach made by xoserve on the Committee's behalf to an American Law Firm. This law firm had offered to gauge interest from parties in purchasing Lehman's Energy Balancing debt from National Grid and to evaluate any offers. The costs would be \$2,500 for gauging interest and \$5,000 for the evaluation work.

The Committee agreed unanimously to these offers, which would be funded from the Energy Balancing accounts.

#### **6. Any Other Business**

LOS reported the following:

Applications had been received from the following Users for voluntary discontinuance. All of these had discharged all their liabilities:

Members indicated, so far as they were aware, that their companies had no interest in the applicants and agreed UNANIMOUSLY to the applications.

Members agreed to notify xoserve (LOS) of their emergency contact details over the Christmas period (email: [loraine.oshaughnessy@xoserve.com](mailto:loraine.oshaughnessy@xoserve.com))

**7. Next Meeting**

The next meeting will be held at 10:00 am on Friday 19 February 2010. This will be a teleconference.

**Action Log – Energy Balancing Credit Committee: 22 January 2010**

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
EBC 02/04	17/04/09	5	Draft a UNC Modification Proposal for revised Further Security Request provisions	xoserve (MC) and Members	Presentation provided <b>Closed</b>
EBC 01/10	23/10/09	2.2	Put together a timeline on how this proposal would operate. Cascade to members for further comments	xoserve (MC and LOS)	Provided as part of the presentation <b>Closed</b>
EBC 04/10	23/10/09	6.2	Check whether specific terminated names can be used in the slide pack circulated	xoserve (MC)	Under discussion <b>Carried Forward</b>
EBC 01/11	20/11/09		Contact the American solicitors for a written evaluation of the offer received in connection with the Lehman's debt.	xoserve (MC)	Estimate obtained from lawyers and discussed in Committee. <b>Closed</b>
EBC 01/01	22/01/10	2.2	Provide any comments on the Further Security Request Proposal by 29/01/2010	Members	
EBC 02/01	22/01/10	4.1	Provide any comments on the Balancing Indebtedness Proposal by 26/01/2010	Members	