

# Energy Balancing Credit Committee Meeting Friday 17 September 2010

via Teleconference

## Participants

### Joint Office (Non voting)

Bob Fletcher (BF) Chair  
Lorna Dupont (LD) Secretary

### xoserve (Non voting)

Mark Cockayne (MC)  
Lorraine O'Shaughnessy (LO)

### Ofgem (Non voting)

*Not present*

### Shippers (Voting)

Gary Russell (GR)  
Richard Fairholme (RF)  
Naomi Anderson (NA)  
David Trevallion (DT)  
Jenny Higgins (JH)

### Observer (Non voting)

Sara Scott (SC) (Non Voting)

### Apologies

Gavin Ferguson  
John Costa

## 1. Introduction

BF welcomed the members to the meeting, which was quorate. It was noted that Ofgem were not represented at this meeting

## 2. Minutes and Actions from the Previous Meeting

### 2.1 Minutes

The minutes of the previous meeting (20 August 2010) were accepted.

### 2.2 Actions

**Action EBC08/01:** Speak to relevant User and Ofgem to explain the associated risks the Proposal 0315 is attempting to address.

**Update:** MC reported that he had spoken to the User concerned and had drafted a response. As yet he had been unable to speak to Ofgem and asked that this part of the action be **carried forward**.

## 3. Operational Update

MC provided the following Operational update for August 2010.

### 3.1 Cash Call Notices

During August 2010, no Cash Call Notices were issued.

### 3.2 Further Security Requests (FSRs)

There were no Further Security Requests (FSRs) issued during August 2010.

### 3.3 Settlement:

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
July 2010	100%	100%
August 2010	100%	100%
Rolling 12 Months	99.85%	100%

There were no problems at present. Positive feedback had been received from Users, which was very much appreciated, and this had been circulated to all concerned within xoserve.

## 4. Modification Proposals

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

MC reported that following Ofgems recent licence review it had been determined that 'Traders' would not need to be regulated in the same way. MC went on to report that he had met with National Grid NTS to discuss the changes and it had been concluded that the Proposal needed to be progressed in its current format. Different categories of User will need to be recognised but it would be a challenge to treat trades differently. A further meeting was planned (week commencing 20 September 2010) to review the legal text and address any issues.

### 4.2 Proposal 0315 - To Enhance Section X of the UNC Transportation Principal Document to improve the Energy Balancing Further Security Process

BF reported that the UNC Modification Panel (the Panel) had deferred consideration of this Proposal. The Shipper, Consumer and Ofgem representatives were unconvinced of the materiality and would like to see more evidence as to how it meets/enhances the relevant objectives, ie how often it happens, what were the values involved, and what was the level of risk. Concern was also expressed that it may constitute an additional barrier to market entry.

MC responded that it was reinforcing the concept/status of having sufficient credit in place and addressed the weaknesses that had been identified in 2008 as a result of the particular behaviour of two Users. It had been recognised that there was potential for a large User to operate in the same manner, having negative consequences for the wider industry and that the process rules did not cover such a risk.

It was suggested that a presentation could be made to the Panel to demonstrate and clarify the perceived issues and risks, and the degree of potential financial exposure. RF, as a Panel member, would be ideally placed to explain the background and issues, and would be supported by MC or LO. MC confirmed that appropriate information could be provided in advance of

the Panel meeting together with a draft copy of the Energy Balancing Credit Rules.

The members present agreed that this would be a logical approach, and would aid recognition that large entity behaviour could have a great impact on the industry as a whole. It was also suggested that it might be beneficial for MC to discuss and clarify the issues with both the Ofgem and the Consumer representatives in advance of the Panel meeting.

**Action EBC09/01: Proposal 0315 – Provide supporting information for publication on the JO website in advance of the next UNC Modification Panel meeting.**

**Action EBC09/02: Proposal 0315 – Provide comments on the draft EBCC Rules to MC and LO as soon as possible, so redrafting can be carried out in preparation for submission with supporting papers for the Panel meeting.**

**Action EBC09/03: Proposal 0315 – Discuss and clarify the issues with both the Ofgem and the Consumer representatives in advance of the Panel meeting.**

#### **4.3 Draft Proposal - Introduction of Balancing Neutrality Charge for Cost Recovery Associated with Rating services**

MC reported that the draft Proposal had been reissued and explained the changes made, ie to make it more generic and to maintain National Grid's neutral position. Draft legal text had been issued for comments and it was proposed to present the Proposal to the October Transmission Workstream and then submit it to the October UNC Modification Panel, in which case it should be formally raised by 13 October 2010. National Grid NTS would raise it.

**Action EBC09/04: Draft Proposal (Cost Recovery for Rating Services) – Provide any comments on the draft legal text to MC/LO by 24/09/10.**

DT pointed out that fixed rate costs were for two years, and that these might change. MC confirmed that the Proposal would indicate 'prevailing costs' rather than specifying amounts.

MC pointed out that there may be challenge as to why Fitch is not an acceptable rating agency, if modification 0300 goes through/is accepted on for Transportation. However as the Energy Balancing Credit Rules (EBCR) specify which rating agencies are acceptable EBCC has the power to change/nominate whichever is most appropriate Energy Balancing requirements. The renewal of the current services takes place in January 2011, by which time it was hoped to have the proposed changes in place.

## **5. Any Other Business**

### **5.1 Update on the position relating to Lehman's**

MC reported that a meeting had taken place with Skaddens, and that a further request had been made for information to be provided that supported the claim of the imbalance position, ie the trading activities at the time. The claim is quite significant so it is understood that this will need to be thoroughly

assessed and validated, and it is recognised that this may well prove to be a slow process. MC added that Internal Audit and National Grid Legal were satisfied with the situation so far and parties were working with the Administrator to increase its level of understanding of the position and the claim.

## **5.2 Update on the position relating to Independent Energy**

It was noted that this organisation had failed in September 2000. MC reported that a further dividend had been received on 16 September 2010, and the total amount received now stood at £178,708.90, ie 10% of the original claim. MC had been advised that further dividends might be paid.

## **5.3 Membership of the Energy Balancing Credit Committee (EBCC)**

It was noted that at the next meeting the membership would have been reduced to 6 formal members, and it was asked if the Gas Forum should be approached to indicate that more were required. Concerns were expressed in relation to maintaining quoracy, and MC added that the support and contributions from the Shippers were highly valued. More members would be very welcome. Although recognising that members, eschewing their affiliation to their particular organisations, stood in their own individual right on behalf of the industry it was noted that, with the exception of Corona Energy, members appeared to be drawn from the 'Big 6' Shippers, and that from an outside point of view this may not be seen to be a diverse enough representation.

Picking up on the point of members standing in their own individual right, and not as representatives of an organisation, RF suggested that in the future references to company names be excluded from the Minutes of the meetings, and be removed from the membership page on the JO website. Members agreed that exclusion/removal of any such signifiers was appropriate.

**Action EBC09/05: Remove references to company names from the listed members page on the JO website, and in future exclude reference to Members' company names in the Minutes of the meetings.**

GR indicated that he would resubmit his name as soon as possible, and this would potentially increase the formal membership to 7. MC pointed out that JC had been appointed mid term in the last Gas Year, so there would appear to be no reason why this could not be pursued. RF, as a member of the Gas Forum, suggested that the Chair of EBCC write to the Gas Forum to request the inclusion of an ad hoc process to facilitate the acquisition of any further members who may wish to apply outside of the annual nomination process.

MC advised that following the Gas Forum annual nomination process, one new member had been formally nominated and appointed starting in October; in the interim MC and LO would liaise with the new appointee to clarify the responsibilities and the rules.

## **5.4 Non Registerable Deed of Deposit**

MC reported that one party had commented on the draft, which was now under review by the legal team; if revisions were made it would be reissued to the EBCC.

Responding to an indication that other parties may wish to submit comments, MC pointed out that timescales were tight for achieving the original proposed date, but any further comments would be given consideration if submitted as soon as possible.

**6. Next Meeting**

The next meeting will be held on:

Friday 29 October 2010 via teleconference commencing at 10:00hrs.

### Action Log – Energy Balancing Credit Committee: 17 September 2010

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC 08/01	20/08/10	4.2	Speak to Ofgem to explain the associated risks the Proposal 0315 is attempting to address.	MC	Carried forward
EBC 09/01	17/09/10	4.2	Proposal 0315 – Provide supporting information for publication on the JO website in advance of the next UNC Modification Panel meeting.	MC/LO	By 12/10/10
EBC 09/02	17/09/10	4.2	Proposal 0315 - Provide comments on the draft EBCC Rules to MC and LO as soon as possible, so redrafting can be carried out in preparation for submission with supporting papers for the Panel meeting.	ALL	As soon as possible
EBC 09/03	17/09/10	4.2	Proposal 0315 – Discuss and clarify the issues with both the Ofgem and the Consumer representatives in advance of the Panel meeting.	MC	By 12/10/10
EBC 09/04	17/09/10	4.3	Draft Proposal (Cost Recovery for Rating Services) – Provide any comments on the draft legal text to MC/LO by 24/09/10.	ALL	By 24/09/10
EBC 09/05	17/09/10	5.3	Remove references to company names from the listed members page on the JO website, and in future exclude reference to Members' company names in the Minutes of the meetings.	BF/LD	References removed from JO website 17/09/10.