

# Energy Balancing Credit Committee Meeting Monday 20 December 2010

by Teleconference

## Participants

### Joint Office (Non voting)

Bob Fletcher (BF) Chair

### xoserve (Non voting)

Loraine O'Shaughnessy (LO)

Mark Cockayne (MC)

### Shippers (Voting)

David Holland (DH)

Gavin Ferguson (GF)

Gary Russell (GR)

Julie McNay (JM)

Richard Fairholme (RF)

### Ofgem (Non voting)

Tabish Khan

### Apologies

David Trevallion (DT)

John Costa (JC)

## 1. Introduction

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

## 2. Minutes and Actions from the Previous Meeting

### 2.1 Minutes

The minutes of the previous meeting held on 22 November 2010 were accepted.

### 2.2 Actions

**EBC11/01:** Circulate response to APX ENDEX to EBCC members.

**UPDATE:** MC advised that he had issued an email response to APX Endex following the discussions from the EBCC meeting held on 22<sup>nd</sup> November but apologised for not circulating the response to members prior to sending it out. MC advised that he would draft a formal response on behalf of EBCC Members. RF asked if the letter could be circulated to EBCC members for their information. MC agreed to do this. **Action Carried Forward.**

**EBC11/02:** Draft a representation to Proposal 0336 and circulate to EBCC members for comments. **UPDATE:** MC advised that a response had not been sent as there was insufficient time between the last EBCC meeting and closing date for representations for Proposal 0336. He noted a number of EBCC members companies had submitted their own representations.

TK advised that Ofgem had received the Final Modification Report and there were a couple of minor issues they were considering, mainly the mechanism for recovering costs and representations around this area. MC advised there

was never an intention for the Modification to recover retrospective costs and asked if Ofgem would be able to reach a decision prior to the contract renewal date of 19 February. TK advised Ofgem aimed to reach its decision within the usual 25 days. **Action Closed.**

**EBC11/03:** Members to advise LO of their availability between Monday 20 December and Tuesday 4 January 2011 and any future planned holiday.

**UPDATE:** LO confirmed responses had been received. **Action Closed.**

**EBC11/04:** Update EBCC Members on letter response (Chive Fuels Ltd).

**UPDATE:** MC advised that the letter had been circulated, comments included and it had been sent to the party concerned. A verbal response had been received advising the party had put measures in place to resolve the issue, however no formal response had been received advising that they had understood the seriousness of the issues and how they would prevent the problem happening again. GF was concerned at the lack of a formal response and asked MC to contact the party again to ensure they understood the issue and its consequences. **Action Carried Forward.**

### 3. Operational Update

MC provided the following Operational update for November 2010.

#### 3.1 Cash Call Notices

There were seven Cash Call Notices issued during November, 2 were paid and 5 Failure to Pay Cash Call Notices issued.

#### Further Security Requests (FSRs)

There was one Further Security Requests (FSRs) issued during November 2010.

#### 3.2 Settlement:

The following performance was reported:

| Month             | Payment Due Date | Payment Due Date +2 |
|-------------------|------------------|---------------------|
| October 2010      | 94.37%           | 100%                |
| November 2010     | 99.79%           | 100%                |
| Rolling 12 Months | 99.33%           | 100%                |

LO advised that the further to pay notices issued were discussed at the emergency meeting held on 19<sup>th</sup> November 2010.

GR asked if there were going to be any additional risks or companies causing concerns now market prices were increasing.

MC advised one party should have renewed their letter of credit, though the existing letter covered them until the end of December. After this date there was a risk if the party failed.

#### **4. Modification Proposals**

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

MC advised a meeting had been held with National Grid NTS. An additional meeting is to be arranged to clarify what is expected in the Modification. The subject is very complex and needs to be documented carefully. xoserve had identified a number of issues should the Modification be implemented in its current format.

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

MC advised the Modification had been rejected by Ofgem and asked if EBCC had any views on whether a new solution to the risk should be identified, or stay with a watching brief and consider a new Modification should the risk increase.

RF asked if there were any additional views from Ofgem as to why 0315 had been rejected?

TK understood the reasons for wanting to implement the Modification. However, there were a number of concerns raised by independent Suppliers, which Ofgem was mindful of the additional burdens being proposed for them.

GF thought there had been a mixture of responses from smaller Suppliers, some of which supported the Modification and the extra security proposed.

GR did not think it was worth raising a new Modification at this stage and EBCC should be kept informed of any change in risk.

##### **4.3 Proposal 0336 - Introduction of Balancing Neutrality Charge for Cost Recovery Associated with Rating services**

Discussed under action 11/02.

##### **4.4 Proposal 0300 - RG0252 Proposal 3 Introduction of Fitch as an allowable Credit Rating Agency for the purposes of Code Credit Arrangements**

MC advised Modification 0300 requiring the inclusion of Fitch as a credit rating agency had been approved by Ofgem. He would keep a watching brief to understand if there were any impacts on energy balancing.

##### **4.5 Proposal 0335 - Offtake Metering Error - Payment Timescales**

MC explained the aim of the Modification is to spread the costs of additional

charges over the same time frame as the error. This may lead to an impact on parties who wish to voluntarily discontinue or are subject to emergency discussions, as some errors may go back over a number of years and parties may still be subject to charges past the date they wish to discontinue.

GF asked why the Modification had been raised? MC advised that the Proposer wished to reduce the impact on their cashflow. EBCC agreed to follow development of the Modification and consider raising a consultation response if necessary.

## **5. Any Other Business**

### **5.1 Significant Code Review into Security of Gas Supply.**

MC advised that Ofgem had raised an SCR into the security of gas supplies and other emergency arrangements. This may impact EBCC and its emergency arrangements. Both MC and RF agreed to watch development of the SCR and inform EBCC.

### **5.2 Non Registerable Deed of Deposit**

MC advised the deed is still in development following receipt of comments from members and it is hoped to provide a final draft prior to the next EBCC.

## **6. Next Meeting**

The next meeting will be held on:

Friday 28 January 2011 at 10.30 by Teleconference.

**Action Log – Energy Balancing Credit Committee: 20 December 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 11/01         | 22/11/10               | 2.0               | Circulate response to APX ENDEX to EBCC members  | xoserve (MC) | Carried Forward      |
| EBC 11/02         | 22/11/10               | 6.3               | Draft a representation to Proposal 0336 and circulate to EBCC members for comments.  | xoserve (MC) | Closed               |
| EBC 11/03         | 22/11/10               | 8.3               | Members to advise LO of their availability between Monday 20 December and Tuesday 4 January 2011 and any future planned holiday. | All          | Closed               |
| EBC 11/04         | 22/11/10               | 8.6               | Update EBCC Members on letter response (Chive Fuels Ltd).  | xoserve (MC) | Carried Forward      |