

Energy Balancing Credit Committee Minutes

Friday 23 March 2012

By Teleconference

Participants

Joint Office (Non voting)
Bob Fletcher (BF) Chair

Shippers (Voting)
David Holland (DH)
David Trevallion (DT)
Gavin Ferguson (GF)
Richard Fairholme (RF)

Xoserve (Non voting)
Mark Cockayne (MC)
Lorraine O'Shaughnessy (LO)

Observers
None

Ofgem (Non voting)

Apologies
Tabish Khan
Jonathan Wisdom

1. Introduction

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

2. Minutes and Actions from the Previous Meeting

2.1 Minutes

Members agreed to the following amendments to the previous months minutes:

EBC 12/02: Provide an update on Bank ratings and performances.

Update: MC advised the debt for Greece matures around 20 March 2012 and a number of measures have been taken to rightdown debt and this has hit a number of commercial banks. MC advised that recent reports suggested that approximately 55% of the commercial exposures were with French Banks, 33% with German Banks and 15% of debt lies with UK banks and the most affected Credit Agricole, ~~Commercial~~ Commerze Bank and RBS.

Cash Call Notices

During ~~December~~ January there were 7 Cash Call Notices issued, 5 were paid, 2 were appealed and withdrawn.

The minutes from previous meeting were then approved.

2.2 Actions

EBC 12/01: Xoserve to monitor River Barle’s performance on an ongoing basis and report to the EBCC if there is any significant change.
Update: MC advised there was no significant change to report. **Carried Forward**

EBC 12/02: Provide an update on Bank ratings and performances.
Update: MC advised a watch is being maintained on organisations, which use banks affected by the write down of Greek debt. The debt matured this week and there have been no adverse impacts so far. Communications will be maintained with organisations, which are likely to be impacted. A briefing note is to be provided by separate email following the meeting **Carried Forward**

3. Operational Update

MC provided the following Operational update for February 2012.

3.1 Cash Call Notices

During February there were 12 Cash Call Notices issued, 9 were paid, 3 were appealed, with 1 being revised and 2 withdrawn.

Further Security Requests (FSRs)

2 Further Security Request (FSR) were issued during February 2012 and paid on payment due date.

3.2 Settlement:

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
January 2012	99.84%	100%
February 2012	99.46%	100%
Rolling 12 Months	99.23%	100%

MC advised that 4 failure to pay notices were issued during February. The majority of the value related to one User whom paid National Grid by mistake, this was due to an operator error and a payment was received within day, once the error was identified. The other failures were mainly down to operator errors. RF asked if there were any organisations with reoccurring issues, which might point to a more significant problem. MC advised that this was not the case, these were due to operator error, and there were no repeat offenders to note.

4. Modifications

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

MC advised the modification is on hold pending the outcome of the SCR. He added that work is being undertaken to understand how the payments will be managed and confirmed a modification is required to allow the processes to change.

4.2 Market Operator

MC advised that a draft modification has been developed to bring in line the Market Operator Credit arrangements with all other Energy Balancing Users and discussions are underway with the Market Operator for review. An update will be provided to EBCC at a later date.

4.3 Modifications 0395 and 0398

BF advised that Ofgem had written to the Modification Panel advising of the decision to send back these modifications for further analysis, as they cannot make a decision on the information provided.

The Modification Panel have issued the Modifications to a Workgroup to assess the questions raised in Ofgem's letter and have asked for a report to be presented to the June Panel – with Ofgem's agreement, this has extended the reporting date indicated in the letter.

Some Users have raised concerns that the information requested may be commercially sensitive and may choose to provide their own response to Ofgem.

A copy of the letter has been published at:
www.gasgovernance.co.uk/03950398

5. Significant Code Review Update.

MC confirmed a ROM has been requested to provide a high-level impact assessment should delivery be required for this winter, though this has deviated from the current version of National Grid business rules in part as they would be too complex to implement this year.

MC was of the opinion that a decision is not likely until later in the summer. RF agreed the SCR has been delayed and this was in part due to the credit issues.

6. Any Other Business

6.1 Lehman's Commodity Services

MC provided an update on the claim; he had been concerned that

concise advice has been difficult to obtain from Skaddens as their views tend to be very open. This has improved of late following feedback to National Grid legal and their discussions with Skaddens.

Agreement on the debt reduction is due soon and this should help with selling the debt. If a termination agreement is approved it will make the debt more saleable. Lamco has raised some concerns about the legal aspects as English Law applies under the contract. However, some of the advice is based on US law.

A number of parties have shown interest in buying the debt and MC asked how involved EBCC members wanted to be in future? Members agreed that once the risk of no recovery is removed/reduced they will be happy for the sale to go ahead following sign off in their respective organisations.

Post Meeting Update: The Court Order sustaining the Lehman's objection was granted on 22 March 2012.

6.2 End of year AQ process

MC advised that all parties have been contacted as agreed at the last EBCC meeting and they have all confirmed that they can make the required payments.

7. Date of Next Meeting

EBCC meetings will take place on:

Friday 27 April 2012, 10.00 at 31 Homer Road, Solihull.

Action Log – Energy Balancing Credit Committee

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC 12/01	19/12/11	2.0	Monitor River Barle's performance on an ongoing basis and report to the EBCC	MC/LO	Carried Forward
EBC 12/02	19/12/11	3.2	Provide an update on Bank ratings and performances	MC/LO	Carried Forward