

Energy Balancing Credit Committee Meeting Friday 25 February 2011

by Teleconference

Participants

Joint Office (Non voting)

Bob Fletcher (BF) Chair

Shippers (Voting)

David Holland (DH)

David Trevallion (DT)

John Costa (JC)

xoserve (Non voting)

Loraine O'Shaughnessy (LO)

Mark Cockayne (MC)

Observer

Ofgem (Non voting)

Tabish Khan (TK)

Apologies

Jenny Higgins (JH)

Gavin Ferguson (GF)

Richard Fairholme (RF)

1. Introduction

BF welcomed the members to the meeting, which was not quorate and members would not be able to vote.

2. Minutes and Actions from the Previous Meeting

2.1 Minutes

The minutes of the previous meeting held on 28 January 2011 were accepted. DT requested that the minutes are changed in point 5.3 amending the initials GF to DT.

2.2 Actions

EBC 11/04: Update EBCC Members on letter response (Chive Fuels Ltd).

Update:MC advised that no formal response has been received from Chive. MC felt the issues could be picked up during the face-to-face customer meeting later in the year.

Action: Closed

New Action EBC 02/01: MC to advise on Chives response following their customer interface meeting later in the year.

EBC 01/01: Circulate the comments received on the Non Registerable Deed of Deposit to all EBCC members for their review.

Update: MC advised that we were still waiting for comments back from Legal in response to DT's questions on the Deed of Deposit. JH confirmed by email

that her comments were no longer valid as they related only to their organisation. MC advised that on receipt of the comments from Legal, they will be circulated together with the Final draft of the Deed.

EBC 01/02: EBCC members to consider comments on the Non Registerable Deed of Deposit and respond to LO with any comments they may have by 11 February.

Update: Carried forward see EBC 01/01.

3. Operational Update

MC provided the following Operational update for January 2011.

3.1 Cash Call Notices

There were 10 Cash Call Notices issued during January 2011, 9 were paid and 1 Failure to Pay Cash Call Notice was issued and it was paid.

Further Security Requests (FSRs)

There were 4 Further Security Requests (FSRs) issued during January 2011. 3 were settled and 1 was not. This was agreed during the emergency EBCC held in January to discuss this User. User is still in default.

3.2 Settlement:

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
December 2010	99.99%	100%
January 2011	99.30%	100%
Rolling 12 Months	99.43%	100%

MC advised 1 failure to pay notice was issued and this was considered to be a genuine system problem on the part of the organisation concerned. The payment was received the following day and the organisation concerned is reviewing their processes to remedy the issue.

MC drew members attention to the Financial Institution Aggregate Limits set out in the Operation Report - a number of banks are either fully utilised or close to full utilisation. MC advised that the headline value had been reduced from £250m to £62m during the credit crunch and following Lehman's. Recently there has been a level of stabilisation in the banks and he asked members if there should be another review to consider amending the upper limits to allow more flexibility. Members agreed it would be useful to conduct a review.

New Action EBC 02/02: MC to provide a presentation on potential amendments at the April meeting.

4. Modifications

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

MC advised that the review of legal drafting is continuing and a number of issues have been discussed with National Grid, though there are a number of issues still outstanding.

Similar issues have been experienced this winter so there is still a requirement for the modification. Examples have been developed and worked through and the principles are proving to be of benefit.

4.2 Modification 0336 - Introduction of Balancing Neutrality Charge for Cost Recovery Associated with Rating services

MC confirmed the modification was implemented on 21 February 2011. The first invoices should be received by the end of the month and charges are expected to be in the February Energy Balancing invoice issued at the beginning of April.

MC advised that the EBCC Credit Rules need to be amended and these will be circulated to members for their approval w/c 28th February and would seek agreement of these by members by return.

4.3 Modification 0335 - Offtake Metering Error - Payment Timescales

MC advised the modification has been amended by the proposer due to the potential impacts on energy balancing regime as it changes the risk from transportation to energy balancing. There are likely to be increased costs for energy balancing due to the additional reconciliation work to prove neutrality, in particular if multiple examples are running at the same time. It may also prevent parties following a voluntary discontinues until their obligations were met.

New Action EBC 02/03: EBCC members to review the modification and provide their feedback to the proposer.

5. Any Other Business

5.1 Significant Code Review into Security of Gas Supply.

MC advised that RF had notified that there might be a number of impacts on the EBCC Credit Rules and a response may be required from the committee.

JC considered there would be significant impacts due to the additional credit and capital requirements proposed - particularly on smaller/independent parties. This will impact further as the cost of credit increases.

Further assessment of the impacts would be desirable at an earlier stage to assess consider the potential increase in cash calls, additional emergency meetings etc. as there is likely to be an increase in failures.

5.2 Third Energy Package

MC attended a meeting recently. It was a fact-finding exercise looking at the balancing point being outside of the UK. It has the potential to impact energy balancing, though no details are available at this time.

JC confirmed there is a view to harmonise regimes between European codes and this may lead to further impacts on the UK energy balancing regime.

5.3 Non Registerable Deed of Deposit

MC advised that there is a lot of work going on in the background with National Grid Legal and Barclays in setting up the Deed of Deposit and ensuring that the new accounts can be set up. A new account will need to be created for each party and this will require a new naming convention

MC advised the intention is to have the Deed in place for October 2011 and is a challenging timeline

A number of issues have been identified at National Grid Treasury but the aim is to resolve these prior to October.

5.4 Voluntary Discontinuances

MC advised three Users were seeking to voluntarily discontinue and they have met the requirements. However, each of these organisations may pick up a default allocation of 1p adjustment per £16k of adjustment - though this is low in real terms. The organisations concerned offer no real risk. No concerns were expressed by members.

5.4 EBCC meeting - March.

Members agreed to merge the March and April meetings and review both operational reports on 8th April.

6. Next Meeting

The next planned EBCC meetings is as follows:

Friday 08 April 2011 at 10.30 at 31 Homer Road, Solihull (it is proposed to meet face to face to discuss winter performance and review changes to the Energy Balancing Credit Rules in respect of the Non Registerable Deed of Deposit

Action Log – Energy Balancing Credit Committee: 25 February 2010

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC 11/04	22/11/10	8.6	Update EBCC Members on letter response (Chive Fuels Ltd).	xoserve (MC)	Closed
EBC 01/01	28/01/11	5.3	Circulate the comments received on the Non Registerable Deed of Deposit to all EBCC members for their review.	Xoserve (LO)	Carried Forward
EBC 01/02	28/01/11	5.3	EBCC members to consider comments on the Non Registerable Deed of Deposit and respond to LO with any comments they may have by 11 February.	All	Carried Forward
EBC 02/01	25/02/11	2.2	Provide Chives response following their customer interface meeting later in the year.	Xoserve (MC)	On hold until August
EBC 02/02	25/02/11	3.2	Provide a presentation on potential amendments at the April meeting.	Xoserve (MC)	Pending
EBC 02/03	25/02/11	4.3	EBCC members to review the modification and provide their feedback to the proposer.	All	Pending