

**Energy Balancing Credit Committee Minutes**  
**Friday 26 April 2013**  
**Consort House, 6 Homer Road, Solihull B91 3QQ**

**Participants**

Bob Fletcher (Chair)	(BF)	Joint Office	Non-Voting
Lorna Dupont (Secretary)	(LD)	Joint Office	Non-Voting
David Holland*	(DH)	Shipper	Voting
David Trevallion	(DT)	Shipper	Voting
Dimuthu Wijetunga	(DW)	Shipper	Voting
Gavin Ferguson	(GF)	Shipper	Voting
John Costa*	(JC)	Shipper	Voting
Richard Fairholme	(RF)	Shipper	Voting
Pauline Babb	(PB)	Observer	Non-Voting
Mark Cockayne	(MC)	Xoserve	Non-Voting
Lorraine O'Shaughnessy	(LO)	Xoserve	Non-Voting
Sam Moody	(SM)	Xoserve	Non-Voting
Linda Whitcroft	(LW)	Xoserve	Non-Voting

*\*via teleconference*

**1. Introduction**

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

MC introduced his line manager LW to the members. LW will chair any emergency EBCC meetings.

DT advised that it is envisaged that PB will be his replacement from around October; it is likely he will continue as the alternate.

**2. Minutes and Actions**

The minutes from the previous meeting were accepted. No actions remained outstanding.

**3. Operational Update**

LO provided the following Operational update for March 2013.

**3.1 Cash Call Notices**

During March there were 7 Cash Call Notices issued; 6 were paid on the due date, and 1 was appealed and revised.

### 3.2 Further Security Requests (FSRs)

There were 2 FSRs issued during March 2013.

### 3.3 Settlement

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
February 2013	100%	100%
March 2013	99.09%	100%
Rolling 12 Months	99.80%	100%

1 Failure to Pay Notice was issued during March 2013 and settled by the due date.

## 4. Modifications

An update was given on the status of the modifications of interest to the EBCC. Of particular note were:

### 4.1 Modification 0429 - Customer Settlement Error Claims Process

This Modification would be issued for consultation following the May Panel meeting. Members were encouraged to respond to the consultation.

### 4.2 Modification 0447S - Exception to Code Cut Off Date for energy Balancing debt Recovery purposes

The consultation has concluded. As this is a self-governance modification the May UNC Modification Panel will agree implementation, and any associated documents/documentation can then be amended as appropriate.

### 4.3 Modification 0435–Arrangements to better secure firm gas supplies for GB customers

SCR discussions are continuing; Xoserve and National Grid NTS will revisit the proposal.

### 4.4 Market Operator Security Provisions

MC provided an update: - The Market Operator's (MO) preference was to have a Prepayment Agreement, discussions have been in place with National Grid Legal to finalise the drafting of the Prepayment Agreement and it is expected to be finalised in the next few weeks. LO advised that once complete, a copy would be issued to EBCC members for review. MC advised that the MO had confirmed that they would also put in place a Deposit Deed for the minimum requirement.

## 5. Significant Code Review – Security of Supply

MC outlined the background. A number of parallel workshops/meetings were taking place, and Ofgem was now consulting on DSR auctions. Ofgem still holds the view that credit issues remain the province of EBCC. Meetings have been held with Ofgem to explain EBCC's role and responsibilities and to highlight historic events/experiences and the currently identified risks and exposures that could potentially be exacerbated by certain courses and decisions. MC has been able to set right some previously incorrect

assumptions, however further elucidation and exposition may prove to be necessary. Slow progress is being made towards the recognition that a more 'intelligent' solution is required. Another wider industry meeting has been set up in May and MC will attend.

RF suggested devising some Emergency Credit Rules that could provide contingency arrangements and enable EBCC to access and offer a more flexible response. There was a brief discussion on how EBCC had been able to operate in previous individual cases of default. However, this course of action may not be appropriate/workable in an event where the majority of parties may be in a default situation. It would also be prudent to assess which parties should receive primary focus should such an event occur. It was recognised there may be conflicts of interest within EBCC, and Xoserve might be placed in a very difficult position with the EBCC left inoperable. Rules would exist that Xoserve must follow and organisations would have to be terminated. The magnitude of figures may paralyse any potential decisions should any EBCC members remain in post. EBCC, being governed by UNC TPD Section X, did not have discretion on payment timescales; an ability to agree extensions was suggested as a potential additional power, that would somehow continue to exert the pressure for payment but that would not precipitate a party into premature termination.

Xoserve took an action to review and will bring ideas for further discussion.

## **6. Bank Ratings Review**

SM advised that Moody's had concluded its review of Bank ratings, and the number of downgrades had now stabilised. However Standard & Poor's review continues, with further repercussions very likely, and any perception of stability is therefore potentially temporary. Xoserve will monitor and inform EBCC of any concerns.

MC pointed out that Xoserve's focus had changed in recent years with less focus on cash collection to active review of ratings/assessment of changes to a party's situation, and proactively engaging in dialogue with organisations that are being downgraded to assess contingency plans, etc.

Looking at the graphs illustrating the 'aggregated secured credit by rating band' it was noted that there was a bigger shift to lower rated organisations. The risk was spread across more organisations and that could be viewed as positive, but because so many of these were 'on watch' for potential downgrade, this could also become more of a concern. This was to be expected under current economic circumstances; and organisations are sourcing security in a different way.

It was suggested that analysis could be undertaken on a comparison of the two rating agencies and organisations that are on different ratings/on watch.

Smaller Shippers have welcomed the proactive approach and support.

## **7. Lehmans, Enron and Independent Energy- Update**

*Lehmans* - MC gave an update on the position post the sale of the debt and advised that the final sale value will be smeared via the March EBI issued in May. The outcome has been judged very positive and will be closed shortly.

MC reported that some previous smearing errors had been identified with the Lehman's debt and advised that corrections to these had been undertaken. MC went on to advise that a review had taken place and each affected team's operational processes have been reviewed and improved.

*MC also advised that additional work is taking place to conclude other previously terminated User accounts and that he would provide further update in due course.*

## **8. Gemini Replatforming Update**

Cutover and outage details were outlined. Continued support for the project was solicited and MC asked members to encourage their colleagues to note and avoid sending in bulk claim files at the critical time.

It was noted that some organisations had still not participated in the testing. GF commented that during testing his Operations colleagues had found issues that needed resolution and, in their experience, testing was both prudent and necessary. They had been very happy with the support received to date. MC believed that although some support post-implementation might be available for parties who had actively participated in the testing, it could not be guaranteed for those who had not. Apart from limited access for first invoices the legacy Gemini will disappear. MC was happy to pass through any remaining concerns or issues.

## **9. Review of 2012/13**

LO highlighted a number of achievements that had been noted throughout the past year. Various parties had been appreciative of the support received from Xoserve and the EBCC, and also the solutions proposed to various issues by EBCC had been welcomed.

## **10. Focus for 2013/14**

MC asked for EBCC's assistance both in helping to improve performance for the coming year and in raising the profile of EBCC.

Following discussion members agreed to three key focus areas for the coming year.

Increase the profile of the committee. Xoserve to talk to wider audiences at various forums (small Shippers, Transmission Workgroup, ICoSS, Gas Forum, etc) to explain about the role and responsibilities of EBCC and to try and attract new members.

Following on from discussions at 5, above, it was suggested that some direct focus on the development of Emergency Credit Rules would be prudent; to begin to provide the EBCC with some initial shape to work from should a major 'meltdown' occur. A draft structure could perhaps be covered as a pre-winter activity for the EBCC to meet and discuss.

It was agreed that a watching brief should be kept on European developments and issues highlighted to the committee as necessary.

LOS went on to advise members that Xoserve have been in discussions with the Institute of Credit Management to investigate the benefit of obtaining accreditation in Quality for Institute of Credit Management (QICM).

In addition, we will be continuing to focus on Significant Code Review and EU Third Energy Package, continue to engage with Industry stakeholders and focus on key areas identified from the 2012 Customer Satisfaction Survey. (Details on the Presentation provided can be obtained from Joint Office website).

**Action EBC0401: *Emergency Credit Rules* - Xoserve to develop a draft structure for review and discussion.**

## **11. Any Other Business**

### **11.1 Energy Balancing Credit Rules**

SM confirmed that the changes required as a result of the implementation of Modifications 0446S and 0447S will be made at the same time.

### **11.2 EU Third Energy Package Update**

Impacts were being considered with National Grid NTS. The Balancing Code may have some impact – this is being clarified. European parties have been enquiring about the UK's EBC Rules, as a positive standard.

Members were encouraged to read all European documentation closely and make themselves aware of potential impacts and changes, e.g. a change to the Gas Day, nominations, etc, and consider the implications and impacts on their systems/processes, and the interrelationships and interactions that might indirectly affect other areas of their activities.

### **11.3 Risk Register**

MC suggested increasing the likelihood ratings of Risks H1, H2, H9 and H10 and briefly explained his reasoning. For H2 in particular, new issues had been identified with regard to exposure and the effects on some parties' positions. Root cause analysis was continuing to understand the details. Monitoring has been done through manual reviews to give reassurance that this view of the positions is correct, but manual intervention will cease shortly.

It was agreed to increase the ratings for H1, H2 and H9 as suggested.

For H10 – Referring to the previous discussions (at 6, above) it was agreed to increase this rating to 5. (Please refer to the presentation for this meeting for further details)

## **12. Date of Next Meeting**

The next EBCC meeting will take place via teleconference on Friday 24 May 2013 at 10.30.

### Action Log – Energy Balancing Credit Committee

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC0401	26/04/2013	10	<i>Emergency Credit Rules</i> - Xoserve to develop a draft structure for review and discussion.	Xoserve (MC)	Pending