

Energy Balancing Credit Committee Meeting Friday 28 January 2011

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)

David Trevallion (DT)

Gavin Ferguson (GF)

Jenny Higgins (JH)

Observer

Naomi Anderson (NA)

Ofgem (Non voting)

Apologies

John Costa (JC)

Richard Fairholme (RF)

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 20 December 2010 were accepted.

2.2 Actions

EBC 11/01: Circulate response to APX ENDEX to EBCC members

Update: MC advised the response has been circulated to members and sent to APX Endex. **Action: Completed**

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

Update: MC advised the EBCC comments had been included in an additional letter to Chive Fuels and this was sent on 22 December 2010. GF asked if a response had been received. MC confirmed Chive had not responded and this would be followed up through the normal process. **Action: Carried Forward**

3. Operational Update

MC provided the following Operational update for December 2010.

3.1 Cash Call Notices

There were 11 Cash Call Notices issued during December, 3 were appealed and withdrawn, 6 were paid and 2 Failure to Pay Cash Call Notices issued and both were paid.

Further Security Requests (FSRs)

There were 3 Further Security Requests (FSRs) issued during December 2010 and all were paid.

3.2 Settlement:

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
November 2010	99.79%	100%
December 2010	99.99%	100%
Rolling 12 Months	99.36%	100%

MC advised that compared to this time last year, performance is slightly below 2009, even though five months were reported at 100% performance in the early part of 2010. This was as a result of the issues reported in October, where the Bank had rejected a payment due to the wrong account name despite processing payments on the customers instruction for the previous five years.

4. Modifications

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

MC advised the review of legal drafting is underway and a number of issues have been discussed with National Grid to clarify the process defined in the modification with the lawyers drafting the text.

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

MC reported this modification was rejected by Ofgem and as agreed in the previous meeting members do not wish to continue to develop this proposal in future, therefore the item can be removed from the agenda.

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

MC confirmed legal text has been provided to Ofgem and their decision is awaited, hopefully prior to the renewal of the contracts in mid February.

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

MC advised the modification had been implemented and Fitch has been added to the DNO list of suitable credit agencies for Transportation. MC did not consider it was necessary to amend the Energy Balancing Credit Rules at this stage. However, he was mindful there was a risk that a party may challenge the current list and request Fitch be included for Energy Balancing activities. Therefore, he recommended the rules should be reviewed at some stage in the future.

4.5 Modification 0335 - Offtake Metering Error - Payment Timescales

MC advised that RWE Npower have amended the modification based on comments from various parties. The modification creates an additional energy balancing risk, as it is proposed to spread the payment of adjusted energy charges over the same duration the error lasted for. This creates a risk where a party fails prior to the completion of charging, as the outstanding charges are apportioned back across neutrality.

MC was concerned that this modification and the impacts of Modifications 0317 and 0229 for example, may/have affect energy balancing should a party fail prior to the completion of invoicing for these processes. He was concerned that a number of recent modifications have impacted the energy balancing process without fully reviewing these impacts.

BF advised it may be worth raising an issue at the Transmission Workgroup to review how impacted parties can be considered during modification assessments. Alternatively, there may be an opportunity for MC and BF to discuss new modifications to ensure energy balancing issues are identified earlier in the process.

5. Any Other Business

5.1 Significant Code Review into Security of Gas Supply.

MC advised there is no update for this month, though RF had volunteered to keep a watching brief on this issue on behalf of EBCC.

5.2 Third Energy Package

MC advised discussions on the Third energy package are ongoing. He is attending a meeting next week at Ofgem to discuss updates on the implications of the package and its implementation requirements.

5.3 Non Registerable Deed of Deposit

LO advised that discussions have taken place with legal to consider updating the Energy Balancing Credit Rules to include the Non Registerable Deed. LO advised that comments received following the initial review had been responded to those parties. However subsequent questions had been raised

regarding the responses and these had also been passed to NGD awaiting legal assessment. Responses are expected mid February.

LO wanted to progress development of the deed and hoped to clarify and resolve/respond to the issues raised.

MC was concerned that a number of comments were written based on a company view rather than an EBCC view assessing the risk to the industry. The issues raised by Lehman's has provided evidence that this document is required to reduce the risk currently faced by the industry.

Both JH and GF gave an overview of the comments they had provided and agreed that they would be willing to allow the circulation of the comments to EBCC members.

New Action EBC 01/01: LO to circulate the comments received on the Non Registerable Deed of Deposit to all EBCC members for their review following discussion with JH and DT outside of the meeting.

New Action EBC01/02: EBCC members to confirm acceptance to LO of the Non Registerable Deed of Deposit with a response by 11 February.

Post meeting update:

LO and JH have discussed the Deed of Deposit and JH is considering allowing the circulation of her previous comments to EBCC members as they are specific to her organisation. JH is also considering the responses from National Grid legal and therefore the response date to action EBC01/02 has been extended to 11 February.

AOB

MC asked for feedback on the emergency meetings held over the last month. How did the process work from EBCC member's perspective? Both DT and GF advised they were satisfied with the process as it ran and did not think it needed to be reviewed at this stage.

6. Next Meeting

The next planned EBCC meetings is as follows:

Friday 25 February 2011 at 10.30 by Teleconference.

Friday 25 March 2011 at 10.30 by Teleconference.

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: 28January 2010

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC 11/01	22/11/10	2.0	Circulate response to APX ENDEX to EBCC members	xoserve (MC)	Completed
EBC 11/04	22/11/10	8.6	Update EBCC Members on letter response (Chive Fuels Ltd).	xoserve (MC)	Carried Forward
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)	Pending
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	Pending