

# Energy Balancing Credit Committee Meeting 25 June 2010

EDF Energy's offices, Victoria, London

## Participants

### Joint Office (Non voting)

Bob Fletcher (BF) Secretary

John Bradley (JB) Chair

### xoserve (Non voting)

Loraine O'Shaughnessy (LO)

Mark Cockayne (MC)

### Shippers (Voting)

David Trevallion (DT)

Jenny Higgins (JH)

John Costa (JC)

Les Way (LW)

Richard Fairholme (RF)

Richard Street (RS)

SSE

RWE Npower

EDF Energy

Centrica

E.ON UK

Corona Energy

## Ofgem (Non voting)

### Apologies

Gavin Ferguson

Robert Cameron-Higgs

Centrica

Wales and West Utilities

## 1. Introduction

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

JD asked if the members were willing to accept attendance from an EDF Energy observer (Naomi Anderson who it proposed to be John Costa's alternate). The members agreed the observer was welcome to attend this particular meeting

## 2. RG0252 Related Proposals – Presentation

Robert Cameron-Higgs sent his apologies and due to illness was unable to attend the meeting to present the Transporter Proposals. JB introduced the slides on behalf of Transporters. MC provided a number of comments on potential impacts on EBCC.

Proposal 3 – There was a general discussion, with MC advising that if this proposal is adopted, then EBCC may wish to follow and adopt Fitch as a credit agency. RF asked if there is any reason for the using two agencies. MC advised this was historical, though originally only one agency was used and it was later changed to two as it was thought good practice.

MC took an action to cost the use of Fitch as a credit agency. JC raised a concern this was useful.

**Action EBC 04/06:** MC to provide estimates for the inclusion of Fitch as an additional credit agency.

MC advised the proposals, which were correcting/amending text had no detrimental impact to EBCC.

Proposal 9 – MC advised this had an impact on his team but not from an energy balancing point of view, as the customer life cycle team is likely to be the point of contact should the proposal be implemented.

Proposal 10 – MC advised this proposal impacts energy balancing but is a

positive impact, as it limits exposure to the industry as a whole by correcting the at risk values expanded by increasing the number of Transporter network codes.

The remaining Proposals have no detrimental impact on energy balancing.

### **3. Minutes and Actions from the Previous Meeting**

#### **3.1 Minutes**

The minutes of the 23 April 2010 meeting were accepted.

#### **3.2 Action EBC 01/03** Provide an update on the tender process to be followed for the recovery of Lehman debt. **Update:** see 7.1 **Completed**

**Action EBC01/03b** Provide a post meeting update on the meeting between xoserve and its lawyers in early June.

**Update:** see 7.1

**Completed**

##### **3.2.1. Action EBC 02/05** FSR Proposal - consider amending the draft proposal based on the comments received. **Update:** see 6.2 **Completed**

##### **3.2.2. Action EBC 02/05** FSR Proposal - consider if there are any suitable historical examples, which could have been improved if this draft proposal had been implemented. **Update:** see 6.2 **Completed**

### **4. Roll of EBCC**

MC gave an overview of the EBCC and its rules, clarifying the EBCC is a sub-committee of the UNCC. Members were asked to note that in recent times quoracy has been reduced from 5 to 3.

JB expressed his view the EBCC seems to work well. DT was of a similar opinion and was sure short notice meetings could be managed. MC requested members to consider naming alternates to ensure short notice meetings could be arranged when required.

Membership is still an ongoing concern and this was considered by UNCC. However, nominations are limited and therefore it is unlikely quoracy numbers will be increased in the near future.

### **5. Operational Update**

MC provided the following Operational update for May 2010:

#### **5.1 Cash Call Notices:**

During May 2010, 11 Cash Call Notice were issued and 10 were paid in full. 1 Cash Call was recalculated and withdrawn.

#### **5.2 Further Security Requests:**

There was 1 Further Security Requests (FSRs) issued during May 2010.

### 5.3 Settlement:

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
April 2010	99.40%	100%
May 2010	99.96%	100%
Rolling 12 Months	99.50%	100%

MC explained there were no significant late payments to report in May.

## 6. Modification Proposals

### 6.1 Alternative to UNC 0233 Changes to Outstanding Energy Balancing Indebtedness Calculation

MC gave an overview of progress to date. Confirming external lawyers have been engaged to complete the drafting due to the complexity of the Proposal. However, Ofgem have issued a consultation document on the licensing of parties, which is suggesting traders do not need to be licensed - this could impact drafting of the Proposal. MC asked if drafting should be put on hold until Ofgems consultation on licensing is completed.

JB asked if the challenge should be put back to Ofgem, asking if the Proposal is still needed as previously suggested by them. MC asked members to consider whether or not drafting should be put on hold until it is clear which way the consultation will run as it may be easier to draft a new proposal later. Members C consider it was appropriate to hold development of the Proposal until the licence consultation is completed.

### 6.2 Further Security Request (FSR) Proposal

LO & RS gave a presentation on the draft FSR Proposal and provided an update of progress to date.

JC asked what triggers the FSR. LO explained an FSR is triggered following the second cash call notice. LO advised that amendment to the current rules are required as experience has shown that FSRs can be used by parties who are out of balance, as they provide sufficient credit to meet the notice but fail to clear outstanding debt. RS added the proposal prevents parties from staying in imbalance by reducing their level of credit and reducing the communities level of risk.

JC asked how many and in what timeframe the cash calls could be issued to trigger this process. RS advised a minimum of 3 cash calls in 28 days will trigger the process; this will help to protect the community.

JH was concerned that new Users should be made aware of consequences for failing to provide sufficient credit. LO confirmed xoserve proactively monitor indebtedness so it is unlikely Users will fall into the process without a warning. MC advised this is clarified with new Users from set up to ensure parties are aware of consequences for failing to provide sufficient credit. LO provided an example of the process for discussion. RS explained the

example is to be included in the Proposal.

RS clarified the recent changes to the Proposal and explained that it is his intention to present the Proposal to the Transmission Workstream for their comments before it is presented to Panel with a view to go straight to consultation.

RS made a number of minor amendments to the relevant objectives detailed in the Proposal following comments received in the meeting.

## **7. Any Other Business**

### **7.1 Lehman's Update**

MC advised meetings had been held to discuss the outstanding claim against Lehman's. Two companies had provided information and were willing to discuss details of pursuing the claims on the community's behalf. The view within xoserve is the debt should be agreed with Lehmans before they consider selling it to debt recovery agents – the market has changed recently and it is likely more companies will be interested in buying the debt due to stabilisation in the market.

MC asked for the member's views. JC asked what is the cost of confirming the claim. MC said this is unknown but a successfully agreed claim will add value should members agree to go to the market for its collection. Members agreed to instruct Skaddens to enter into a due diligence exercise to agree the claim with Lehmans.

### **7.2 Voluntary Discontinuance**

MC advised they have received a voluntary discontinuance request, the party concerned is rationalising their portfolio and there are no issues outstanding. Members agreed to continue with discontinuance.

### **7.3 Non Registerable Deed of Deposit**

MC presented views on developing a non registerable Deed of Deposit. A draft document should be available for the next meeting. RS asked if the document can be provided prior to the meeting to allow sufficient time for its review. MC confirmed the document should be available at the end of June.

## **8. Next Meeting**

The next meetings:

19 July 2010 by Teleconference commencing at 10.30am.

**Action Log – Energy Balancing Credit Committee: 23 April 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 01/03	19/03/10	5.2	Provide an update on the tender process to be followed for the recovery of Lehman debt.	xoserve (MC)	Completed
EBC 01/03b	13/05/10	2.2	Provide a post meeting update on the meet between xoserve and its lawyers in early June.	xoserve (MC)	Completed
EBC 02/05	13/05/10	4.2	FSR Proposal - consider amending the draft proposal based on the comments received.	Corona (GR)	Completed
EBC 03/05	13/05/10	4.2	FSR Proposal - consider if there are any suitable historical examples, which could have been improved if this draft proposal had been implemented.	xoserve (LO)	Completed
EBC 04/06	25/06/10	2.0	Provide estimates for the inclusion of Fitch as an additional credit agency.	xoserve (MC)	Pending