

**Energy Balancing Credit Committee Minutes**  
**Friday 28 June 2012**  
**via teleconference**

**Participants**

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

**Shippers (Voting)**  
David Trevallion (DT)  
John Costa (JC)  
Gavin Ferguson (GF)

**Xoserve (Non voting)**  
Mark Cockayne (MC)  
Sam Moody (SM)

**Observers**

**Ofgem Representative**

**Apologies**  
Adhir Ramdarshan  
Jon Wisdom  
Richard Fairholme  
David Holland

**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 from previous meeting were approved.

**2.2 Actions**

**Action EBC 01/05:** Provide Feedback/Comments by 1.6.2012.

**Update:** JC is still to confirm whether they are willing to take this modification forward, he hoped to provide confirmation early update next week. **Closed**

**Action EBC 02/05:** Update comments received from DT and send out final drafting for approval.

**Update:** The EBCR amendments have been approved for publication.  
**Closed**

**Action EBC 03/05:** Provide their availability to attend additional meetings between June and October.

**Update:** Some members have been confirming their availability. Still awaiting a few responses, ideally members should give an indication of any holiday period throughout the year in case of ad-hoc meetings.

**Open**

### 3. Operational Update

MC provided the following Operational update for May 2012.

#### 3.1 Cash Call Notices

During May there were 5 Cash Call Notices issued and 5 were paid on time.

#### Further Security Requests (FSRs)

1 Further Security Request was issued during May 2012, which was paid.

#### 3.2 Settlement:

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
March 2012	99.11%	100%
April 2012	99.51%	100%
Rolling 12 Months	99.24%	100%

MC advised that 2 failure to pay notices were issued during May. One was due to a payment being made to National Grid in error. The other was due to the payment being made in a foreign currency rather than sterling. Both payments were corrected the following day.

### 4. Modifications

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

No further update until SCR is completed. MC confirmed conversations were on going with Ofgem concerning the impact analysis for the proposed the £20 VOL. He had confirmed that there was a potential 10 day delay between the deficit being called and Users exposure increasing and then being cleared from the process. Recent experience of an imbalance identified 2 Users being exposed to cash/security short falls. However, analysis indicates this would increase to 5 with a £20 VOL, and

these would be for significant values.

MC felt that this proves that Modification 0233V requirements were needed to manage this process.

#### 4.2 **Trading System Operator**

See action update for EBC 01/05.

#### 4.3 **Modifications 0395 and 0398**

BF advised that these modifications have been issued for further consultation with a close out date of 10 July 2012. Xoserve had provided financial adjustment analysis, which may help with representations.

### 5. **Significant Code Review Update.**

JC advised that he had seen the draft business rules and they have significant impacts on Users. He was concerned that the analysis is showing 5 impacted customers based on previous deficit issues, and that the rules expect terminations, with long shippers contributing to the overall pot.

MC advised that the analysis was purely based on the last Gas Balancing Alert and that at this time most parties were being long. The new rules are trying to show the true state of the system and the parties true exposure due to the nature of the deficit. The process around the neutrality smear could be used to recover monies prior to any DSR payments being made to reduce the impact of the £20 VOL.

JC was concerned that parties wont be able to put in place sufficient cash and credit to offset the impacts of a £20 VOL – this will have significant impact on all parties leading to more than is expected in default. MC advised that exposure limits are based on peak day prices for 3 days – so the initial impact of a deficit may not put parties into default. He agreed exposures would increase significantly over a 10 day period and this may have significant impact on users.

MC advised that he believed Ofgem are seeking implementation for this Winter however stated that the existing change programme for Gemini would make this extremely challenging.

### 6. **Bank Ratings**

MC advised that they have only had to react to one of the banks being downgraded, which was scaled back by 53%. Users were being notified which banks were on downgrade watch and what was expected if this happened.

SM explained the downgrading impacts– one bank downgrade had caused an impact and affected Users were notified of resulting scale back. She advised that 47% of financial institutions would have been unacceptable based on the EBCR prior to the amendments made last November, so the amendments proved to be timely changes, but 90% of those financial institutions were still at risk of further downgrade. The aim is to contact Users to ensure they are aware of the potential impacts on Letters of Credit, and to encourage the use of deposit deeds and enquire as to Users contingency arrangements. .

MC advised that Xoserve plan to carry out further review in this area and are considering reviewing Users individual ratings coupled with securities provided by financial institutions to understand how they impact each other. With the potential for further downgrades additional analysis is to be carried out to understand the longer term impacts on Users to ensure appropriate protection is in place for the industry.

GF was concerned that this should be mindful of Ofgems requirements and best practice and what is happening in electricity. DT was unsure if many Shippers would have their own ratings, so doubted if this process would be useful. MC agreed in part, they would be checking the value and number of Shipper ratings being available before spending time analysing Users credit ratings.

## **7. Energy Balancing Credit Rules**

SM advised that members had approved the recent proposed amendments and that these will be published soon.

SM advised a comprehensive review of the EBCR is being undertaken and the first draft will be issued for discussion prior to the next meeting.

## **8. Lehmans**

MC advised the first dividend had been received amounting to 46% of claim and this has been paid to National Grid. This will be smeared back around September. The remaining debt is being discussed with three other organisations with rates as follows: Deutsche Bank 25, Barcap 27, RBS 30. MC asked should the highest value be chosen or should a flat non variable rate be chosen?

DT felt it was preferable to start higher and be negotiated down. GF felt a flat rate number from each was needed before a decision can be taken and this was agreed with members present.

## **9. AOB**

### **9.1 RBS Bank System Problems**

MC advised that Xoserve had not been impacted by the recent RBS system problems. However, he enquired how should Xoserve react

when a similar problem, outside of any parties control impact payments - should the rules/targets be suspended?

GF felt the targets should be left in place and commentary provided why the targets could not be met – it may be described as force majeure. A meeting of the EBCC should be arranged to agree how the problem should be managed.

MC agreed that it would be beneficial to follow process but actions may be suspended by EBCC.

## 9.2 Voluntary Discontinuances

MC advised a numbers of Users wanted to exit, should they be allowed to exit if credits or charges were still outstanding due meter adjustments and error corrections. DT felt that if the shipper is keen to exit and willing to forego the credit, it shouldn't be an issue. However, he felt the safest for all is that they wait until the errors reach the final position and their accounts reconciled. JC agreed with this approach.

## 10. Date of Next Meeting

The EBCC meetings will take place via teleconference on:

Friday 27 July 2012, at 10.30.

Friday 28 September 2012 at 10.30.

### Action Log – Energy Balancing Credit Committee

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC 01/05	25/05/12	4.1	Provide Feedback/Comments by 1.6.2012.	JC	Closed
EBC 02/05	25/05/12	6.1	Update comments received from DT and send out final drafting for approval.	SM	Closed
EBC 03/05	25/05/12	6.3	Provide their availability to attend additional meetings between June and October.	All	Open