Energy Balancing Credit Committee Meeting
13 May 2010
Teleconference

Participants

Joint Office (Non voting)	Shippers (Voting)	
Bob Fletcher (BF) Chair	Gary Russell (GR)	RWE Npower
John Bradley (JB)	Jenny Higgins (JH)	EDF Energy
xoserve (Non voting)	John Costa (JC)	E.ON UK
Loraine O'Shaughnessy (LO)	Julie McNay (JM)	SSE
Mark Cockayne (MC)	Richard Fairholme (RF)	Corona
Ofgem (Non voting)	**Apologies**	
Raihana Braimah (RB)	David Trevallion	SSE
	Gavin Ferguson	Centrica

1. Introduction

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

BF asked if the members were willing to accept attendance from two observers. The members agreed the observers were welcome to attend this particular meeting

2. Minutes and Actions from the Previous Meeting

2.1 Minutes

The minutes of the 23 April 2010 meeting were accepted.

2.2 **Action EBC 01/03** Provide an update on the tender process to be followed for the recovery of Lehman debt. **Update:** LO advised that xoserve were discussing the tender process with their lawyers and brokers. JC asked if an update could be provided following the meeting. LO confirmed an email update would be provided in early June.
PENDING

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

3. Operational Update

LO provided the following Operational update for April 2010:

3.1 Cash Call Notices:

During April 2010, 1 Cash Call Notice was issued and was paid in full. No Further to Pay Cash Call Notices were issued.

3.2 Further Security Requests:

There were no Further Security Requests (FSRs) issued during April 2010.

3.3 Settlement:

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
March 2010	100%	100%
April 2010	99.40%	100%
Rolling 12 Months	99.43%	100.00%

LO explained there were no significant late payments to report in April.

4. Modification Proposals

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

LO confirmed xoserve had received amended draft legal text and their analytical team were studying it in detail. It is likely further meetings will be required between xoserve and legal teams to ensure the drafting is correct. JC asked when the proposal is likely to be raised. LO advised that we would aim to have the proposal ready for submission by August but the priority is to get the Modification correct before we resubmit.

4.2 Further Security Request (FSR) Proposal

LO gave a summary of progress made to date, explaining how the proposal seeks to incentivise behaviours for the provision of sufficient Security for energy balancing purposes, by scaling back an element of security provided where the User fails repeatedly and is subject to repeated cash call notices. Explaining the existing code provisions were not sufficient to prevent repeated failures.

GR (the proposer) clarified that he had discussed the provisions with xoserve and was considering a number of amendments prior to discussing the draft proposal at the Transmission Workstream. GR then gave an example of how a party with security valued at £100k would have this scaled back to £80k for repeated failure and receipt of cash call notices. However, he was aware this needed a stop position as the original security value could not continue to be reduced by 20% without provision of additional security.

RF asked if a Users security value should be reset if they provided sufficient security and did not fail for a 12 month period. MC felt this was a fair approach.

JB noted there were several style issues with the draft proposal which should be addressed such as making the proposal clear, currently it starts mid sentence. It may be of benefit to clarify that EBCC had reviewed the draft proposal and were willing to support its submission.

RB asked if the draft proposal could provide examples such as the steps in the process and information was needed to identify materiality and how the proposal furthers the relevant objectives. JB felt that contractual risk might be reduced for Users so this area that could be expanded in the relevant objectives.

JC questioned the 20% value and if there was any statistical evidence which suggested this was the right value to adopt. LO explained the 20% value was agreed at a the October 2009 EBCC, though it would be difficult to provide statistical evidence as the value was aimed at correcting behaviours, whereas

a lower value may not be of sufficient incentive. JC suggested it may help progress if historical examples could be provided to identify how situations could have been improved if this proposal had been implemented at the time.

Action EBC02/05: Corona Energy to consider amending the draft proposal based on the comments received during the meeting.

Action EBC03/05: xoserve to consider if there are any suitable historical examples, which could have been improved if this draft proposal had been implemented.

5. Any Other Business

5.1 JC asked if Transporters were considering raising a number of credit related proposals. BF confirmed that a presentation is being made to the May Distribution Workstream advising an approach to the recommendations made in the Review Group 0252 report, including draft proposals.

6. Next Meeting

The next meetings:

Friday 25 June 2010, face to face meeting commencing at 10.30am, venue EDF Energy's offices, Victoria, London.

Action Log – Energy Balancing Credit Committee: 23 April 2010

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
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)	Update provided 13/05/10 Pending
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)	Pending
EBC 02/05	13/05/10	4.2	FER Proposal - consider amending the draft proposal based on the comments received.	Corona (GR)	Pending
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)	Pending