

Energy Balancing Credit Committee Meeting Monday 22 November 2010

at Ofgem, 9 Millbank, London

Participants

Joint Office (Non voting)

Bob Fletcher (BF) Chair

xoserve (Non voting)

Loraine O'Shaughnessy (LO)

Mark Cockayne (MC)

Shippers (Voting)

David Trevallion (DT)

Gavin Ferguson (GF)

Jenny Higgins (JH)

John Costa (JC)

Richard Fairholme (RF)

Richard Street (RS)

Guests

Caspar Huith (CH), ABN-AMRO

Jeroen van den Heuvel (JvdH), apx
endex.

Ofgem (Non voting)

Tabish Khan

Apologies

David Holland (DH)

1. Introduction

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

2. Presentation by APX ENDEX - Market Operator

JvdH and CH gave a presentation on behalf of APX ENDEX to discuss an alternative method of securitising their Energy Balancing exposures in the form of a pledge agreement

It was proposed that the Pledge agreement would allow xoserve a view of APX ENDEX member accounts on a real time basis and allow them to freeze the accounts on submission of an approved notice should a risk be identified (see presentation for details).

EBCC members raised a number of concerns during and after the presentation as follows:

i) Members need to understand how does this differ to the provision of a letter of credit?

ii) UNC is subject to English law, the proposed Pledge agreement is subject to Dutch law?

iii) Members wished to understand more fully the impact of a move by APX members to ESCROW accounts on the aggregate cash balances that were

presented.

iv) ABN – AMRNOs credit rating needs to be considered for both the short and long term posit

v) Members wish to understand how Pledge values could be locked in to prevent cash being withdrawn from accounts prior to an issue being identified?

vi) Members were also concerned that the proposal may place an undue administrative burden on xoserve to monitor the Pledge values as they will be constantly changing.

vii) Whilst the proposal may address the issue of preference surrounding the current prepayment arrangement, members felt that this issue would be resolved by the use of the “Deposit Deed” currently under review by the Credit Committee?

viii) Members believed that should they agree to accept a Pledge agreement as an acceptable form of Security, then it should be an acceptable form of security for all market participants.

New Action EBC11/01: MC to draft a response to APX ENDEX setting out the issues discussed in EBCC and circulate to members for their comments.

3. Minutes and Actions from the Previous Meeting

3.1 Minutes

The minutes of the previous meeting held on 29 October 2010 were accepted.

3.2 Actions

EBC10/01: Seek a view from Ofgem on the likely funding options they would be prepared to consider. **UPDATE:** Members agreed to close this action as it was unclear what it related to. **CLOSED.**

EBC10/02: Send comments on the Special Administration Regime to the Joint Office. **UPDATE:** One EBCC member provided comments. **CLOSED**

EBC10/03: Collate comments for formal EBCC response to DECC. **UPDATE:** Comments from MC and EBCC members were sent to DECC. **CLOSED**

4. Operational Update

MC provided the following Operational update for October 2010.

4.1 Cash Call Notices

There were two Cash Call Notices issued during October, one appeal and withdrawn, the other one was paid in full.

Further Security Requests (FSRs)

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

4.2 Settlement:

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
September 2010	100%	100%
October 2010	94.37%	100%
Rolling 12 Months	99.35%	100%

As reported in last months minutes by LO, MC advised a significant payment was late as a User's bank rejected a payment due to an incorrect name on the account. Insufficient notice was given to the User to rectify and get the payment out. A Failure to Pay Notice was issued and the User paid in full.

5. Winter Planning and Preparations

MC provided each member with a copy of the Winter Planning Presentation and highlighted that all amendments were documented on the notes at the bottom of each slide. Members should review the document and use as a reference guide during emergency EBCC meetings.

6. Modification Proposals

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

MC advised a meeting had been planned for November with National Grid NTS but unfortunately had to be cancelled. A meeting will be set up and update provided at the December EBCC meeting.

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

RF advised members of the concerns raised by the Mod Panel. The Final Modification Report. Panel did not recommend implementation of the Proposal and it is now with Ofgem for its decision.

TK advised of a number of concerns expressed by Ofgem, particularly the availability of evidence, which shows this Proposal would have identified the potential failure of a Shipper and therefore reduced the industry exposure.

GF considered the Proposal is required; as new starters do not always understand the risk they place themselves and the industry in. This Proposal clarifies the actions needed and when.

RS is concerned that the existing process allows parties to take gas out

without a requirement to put gas in to the system, This Proposal helps to addresses this behaviour and reduce industry risk.

GF asked TK if he could run through any questions/concerns that had been previously raised and answered to avoid a further delay in making a decision. TK addressed his questions and was happy that a clear response had been given.

6.3 Proposal 0366 - Introduction of Balancing Neutrality Charge for Cost Recovery Associated with Rating services

MC advised members that the published suggested text and the proposal are inconsistent and it is likely the suggested text will be updated soon.

RF confirmed the Proposal is currently out for consultation, which closes on 7th December and asked if other EBCC members considered it would be useful if EBCC submitted a representation?

New Action EBC11/02: MC to Draft a representation to Proposal 0366 and circulate to EBCC members for comments.

7. Special Administration Regime – Energy bill

MC confirmed an EBCC response had been sent to DECC and exoserve would maintain a watching brief

8. Any Other Business

8.1 Membership of the Energy Balancing Credit Committee (EBCC)

BF advised members that the Gas Forum had nominated Gary Russell as an additional EBCC member. In addition, Gary Russell had nominated Richard Street as his alternate.

8.2 Non Registerable Deed of Deposit

Not discussed at the meeting, still being progressed by xoserve.

8.3 Christmas Availability

LO asked if members and their alternates could advise her of their availability between Monday 20 December and Tuesday 4 January 2011 to ensure emergency meetings could be covered if required. Also LO advised members that it would be useful if members could advise LO of any planned holiday to establish availability of EBCC meetings and responses to documentation published for responses.

New Action EBC 11/03: Members to advise LO of their availability between Monday 20 December and Tuesday 4 January 2011.

8.4 Voluntary Discontinuance

LO advised that SJB Energy Trading B.V had applied for Voluntary Discontinuance. They had not been subject to energy balancing invoices and there were no other outstanding issues. EBCC members agreed to the voluntary discontinuance.

8.5 0338 - Remove the UNC requirement for a 'gas trader' User to hold a Gas Shipper Licence

RS raised a concern that Traders could be allowed to operate unlicensed and this may place other UNC parties at risk. It was not sufficient to rely on the termination condition in UNC.

TK thought this was similar to conditions operated in the electricity industry.

EBCC members agreed to consider this proposal during its future discussion on Modification Proposals.

8.6 Emergency EBCC Meeting 19th November 2010

Members discussed the draft letter to User concerned and requested the following amendments:

- i) Request confirmation that User understand the implications of their behaviour and assurances that they would not be in this position again.
- ii) Request a response in writing and strengthen concerns expressed by EBCC.

New Action EBC 11/04 : MC to circulate revised draft letter to members.

9. Next Meeting

The next meeting will be held on:

Monday 20 December 2010 at 10.30 by Teleconference.

Action Log – Energy Balancing Credit Committee: 22 November 2010

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC 10/01	29/10/10	4.3	Seek a view from Ofgem on the likely funding options they would be prepared to consider.	xoserve (LO)	Closed
EBC 10/02	29/10/10	5.0	Send comments on the Special Administration Regime to the Joint Office	All	Closed
EBC 10/03	29/10/10	5.0	Collate comments for formal EBCC response to DECC.	Joint Office / xoserve	Closed
EBC 11/01	22/11/10	2.0	Draft a response to APX ENDEX setting out the issues discussed by EBCC members and circulate to members for their comments.	xoserve (MC)	Pending
EBC 11/02	22/11/10	6.3	Draft a representation to Proposal 0366 and circulate to EBCC members for comments.	xoserve (MC)	Pending
EBC 11/03	22/11/10	8.3	Members to advise LO of their availability between Monday 20 December and Tuesday 4 January 2011 and any future planned holiday.	All	Pending
EBC 11/04	22/11/10	8.6	Circulate revised draft letter to members (Chive Fuels Ltd).	xoserve (MC)	Pending