

Energy Balancing Credit Committee Minutes

Friday 26 October 2012

By Teleconference

Participants

Joint Office (Non voting)

Bob Fletcher (BF) Chair

Shippers (Voting)

David Holland

David Trevallion (DT)

Dimuthu Wijetunga (DW)

John Costa

Gavin Ferguson (GF)

Xoserve (Non voting)

Lorraine O'Shaughnessy (LO)

Observers

Ofgem Representative

Apologies

Adhir Ramdarshan

Mark Cockayne (MC)

Richard Fairholme (RF)

Sam Moody (SM)

1. Introduction

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

2. Minutes and Actions

2.1 Minutes

DT advised that the title for item 7 in the previous minutes contained an error and should be "FI Aggregate Limit/Ratings Update" and members noted this.

The minutes from the previous meeting were then approved.

2.2 Actions

Action EBC 0901: Xoserve to draft a response to the SCR consultation that expresses the EBCC's concerns and circulate to EBCC Members for review/comments before formal submission.

Update: LO advised that a response to the SCR was circulated and approved by members. The response has been submitted to Ofgem. **Closed**

Action EBC 0902: Publish EBCR to Operational Contacts.

Update: LO advised that operational contacts have been made

aware of the recent amendments to the EBCR. **Closed.**

Action EBC 0903: MC to discuss concerns raised by EBCC members. **Update:** LO advised that action is to be completed soon and an update will be provided at a future meeting. **Carried Forward.**

3. Operational Update

LO provided the following Operational update for September 2012.

3.1 Cash Call Notices

During September there was 1 Cash Call Notice issued and it was paid on time.

3.2 Further Security Requests (FSRs)

No FSRs were issued during September 2012.

3.3 Settlement

The following performance was reported:

| Month | Payment Due Date | Payment Due Date +2 |
|-------------------|------------------|---------------------|
| August 2012 | 100% | 100% |
| September 2012 | 99.93% | 100% |
| Rolling 12 Months | 99.30% | 100% |

There was 1 Further to Pay Notice issued which was satisfied.

4. Modifications

An update was given on the status of the modifications of interest to the EBCC. Of particular note were:

4.1 Modifications 0395 and 0398 - Limitation on Retrospective Invoicing and Invoice Correction

BF reported that Ofgem had advised that a document relating to these modifications would be issued sometime in the next two weeks.

4.2 Modification 0410 0410A - Responsibility for gas off-taken at Unregistered Sites following New Network Connections

BF advised that the legal drafting and solution for Modification 0410 is to suggest a new service item rather than using the neutrality pot.

4.3 Draft Modification

Xoserve had identified some inconsistencies that needed to be addressed, regarding the smearing of recovered debt pre Code Cut Off Date and in TPD Section X4. Three modifications are going to be raised by National Grid NTS to address these inconsistencies. LO advised that the draftings have been completed and National Grid will support the modifications although their current focus is on SCR.

5. Significant Code Review

A paper has been published for presentation to the Transmission Workgroup on 1st November. LO asked members to review the content and confirm agreement. JC advised that he would like the risks associated to long Shippers to be addressed where they are required pay into the compensation pot and highlighted that this is likely to exacerbate the credit issue further. JC advised that he would raise these concerns in an email to MC.

6. Bank Ratings Review

No significant changes to ratings have been notified. However, Moodys carried out a review of Spanish banks during September, though there were no impacts on banks used by UNC participants.

7. Lehman's - Update

LO advised an additional dividend payment has been received and its value will be circulated soon. No further progress has been made on the sale of the claim, though an update should be available soon.

8. Any Other Business

8.1 Final Dividend Payment

LO advised that the final dividend payment for IEU for approximately £61k is due. Once received monies will be transferred to the Neutrality account. This is due to the timescales as the debt cannot be smeared due to the 4 year cut off date.

8.2 Voluntary Discontinuances

LO advised that there were 3 Voluntary Discontinuances requests and there were no outstanding payments or activities on their accounts.

Members confirmed they were aware of the organisations and unanimously approved the Voluntary Discontinuance requests.

JC asked if it is possible to review dormant accounts to ensure they are closed down where possible. It is likely they could be adversely impacted by the SCR. LO advised that regular meetings are held with Customer Lifecycle to review these accounts.

8.3 APX - ENDEX

LO advised a meeting has been held with APX to discuss security provisions and to explain the SCR provisions. APX advised that the effect of the SCR is likely to have an effect on Shippers trading who would have to put up additional collateral. They are still considering the wider impacts and were advised that should they wish to respond to Ofgem, they should do so before the 24th October 2012. APX requested that we review current prepayment arrangements as contractually there is no formal agreement in place. Further meetings are planned prior to Christmas to progress the issue.

DT asked if APX had provided any information regarding separation into two business units.

LO provided the following summary:

Two new units - Spot Power Trading and Clearing Spot Gas Trading and derivatives gas/power trading

TenneT Holding B.V. and Elia System Operator N.V will remain as shareholders of the Power Business

ICE (Intercontinental Exchange Inc) will be joining Gasunie as shareholders of the Gas/Derivatives business

UNC and settlement issues will remain as is under the entity APX Commodities Ltd. Members will sign up with UK NewCo, which is not regulated. They own the trading licence and platform.

UK gas members will effectively sign up with two entities:

UKNewCo covering access to the UK gas trading platform, matching of trades etc for the OCM, Gas Storage and NBP markets.

APX Commodities covering nominations, collateral/margin requirements and financial settlement.

It is envisaged that the arrangements with Xoserve will remain the same although this depends on the outcome of discussions with NG. The APX settlements team will continue as is and APX Commodities will continue to be FSA regulated.

9. Date of Next Meeting

The next EBCC meeting will take place via teleconference on Friday 23 November 2012 at 10.30.

Action Log – Energy Balancing Credit Committee

| Action Ref | Meeting Date(s) | Minute Ref | Action | Owner | Status Update |
|------------|-----------------|------------|--|--------------|-----------------|
| EBC 0901 | 28/09/12 | 2 | <i>SCR Consultation</i> - Xoserve to draft a response to the SCR consultation that expresses the EBCC's concerns and circulate to EBCC Members for review/comments before formal submission. | Xoserve (MC) | Closed |
| EBC 0902 | 28/9/12 | 8 | Publish EBCR to Operational Contacts. | Xoserve (SM) | Closed |
| EBC 0903 | 28/9/12 | 10 | MC to discuss concerns raised by EBCC members with regards to GRP contingency arrangements post implementation | Xoserve (MC) | Carried Forward |