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EBCC MEETING

21st December 2015

- 1.0 Introduction & Status Review
- 1.1 Approval of Minutes
- 1.2 Actions
- 2.0 Operational Update
- 3.0 Market Operator Update
- 4.0 Review of Energy Balancing £10,000 minimum security
- 5.0 Modifications
- 6.0 Bank Ratings
- 7.0 Review since April 2015
- 8.0 Focus for 2016
- 9.0 AOB
 - Voluntary Discontinuances
 - Project Update
 - Date of next meeting



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Operational Update

November 2015

- **November 2015**

- Cash Collection 100%
- Rolling 12 Months 99.36%
- 1 Cash Call issued which was appealed and withdrawn
- No Failure to Pay Invoice Notice issued
- No Further Security Request Notices Issued
- No Failure to Pay Cash Call Notices issued

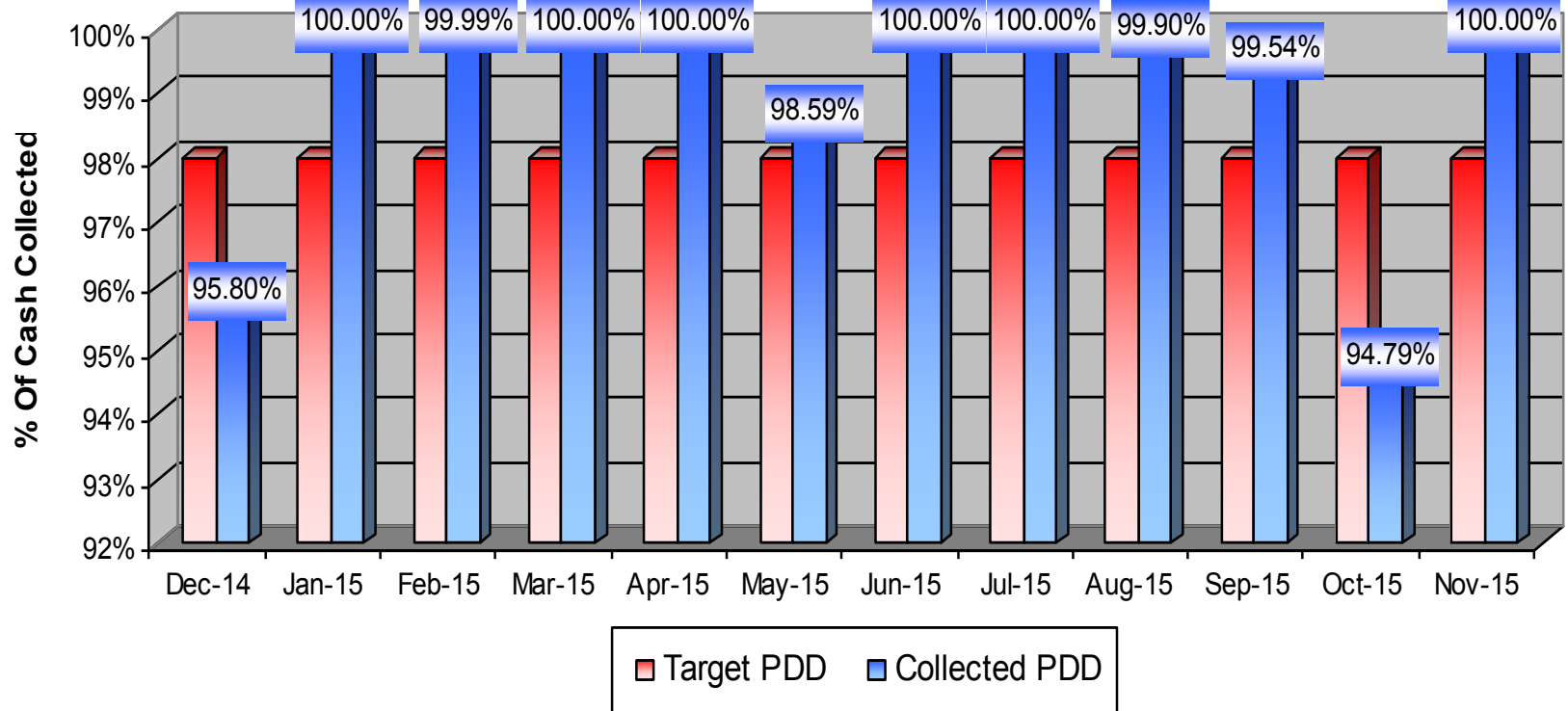
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Cash Collection

Monthly Breakdown Of Cash Collected At Payment Due Date



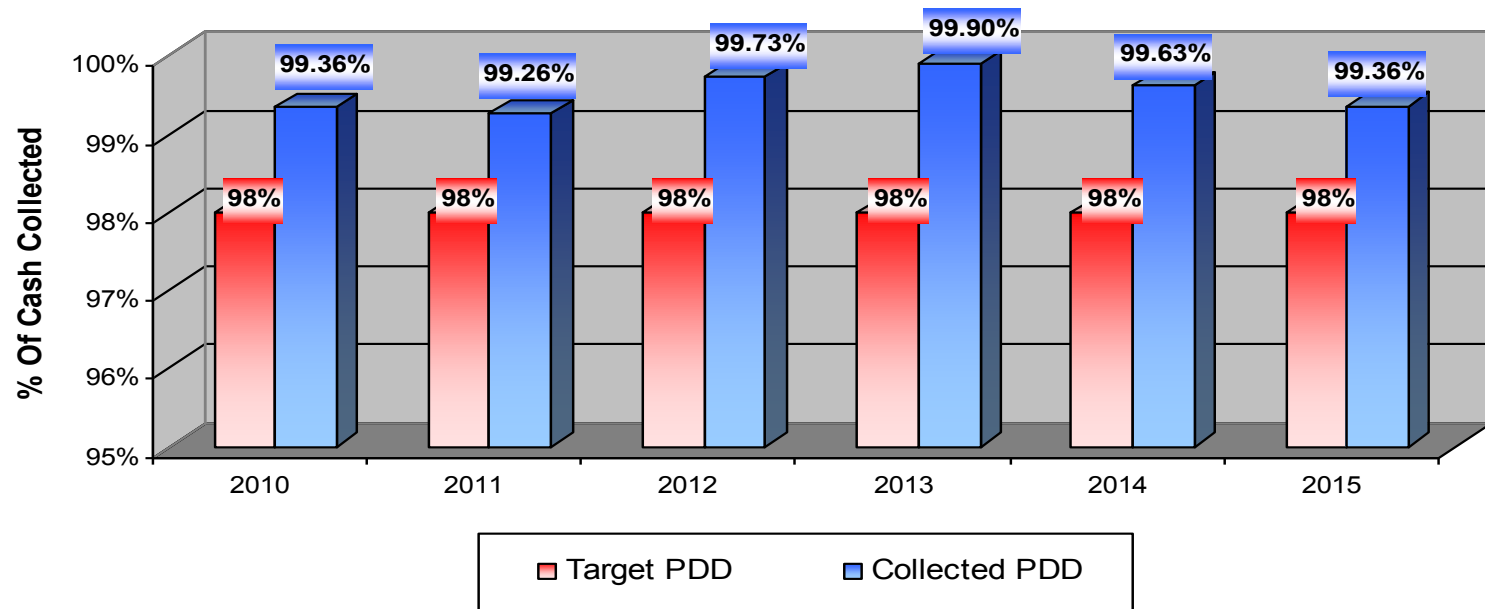
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Cash Collection

Yearly Cash Collection Targets Payment Due Date

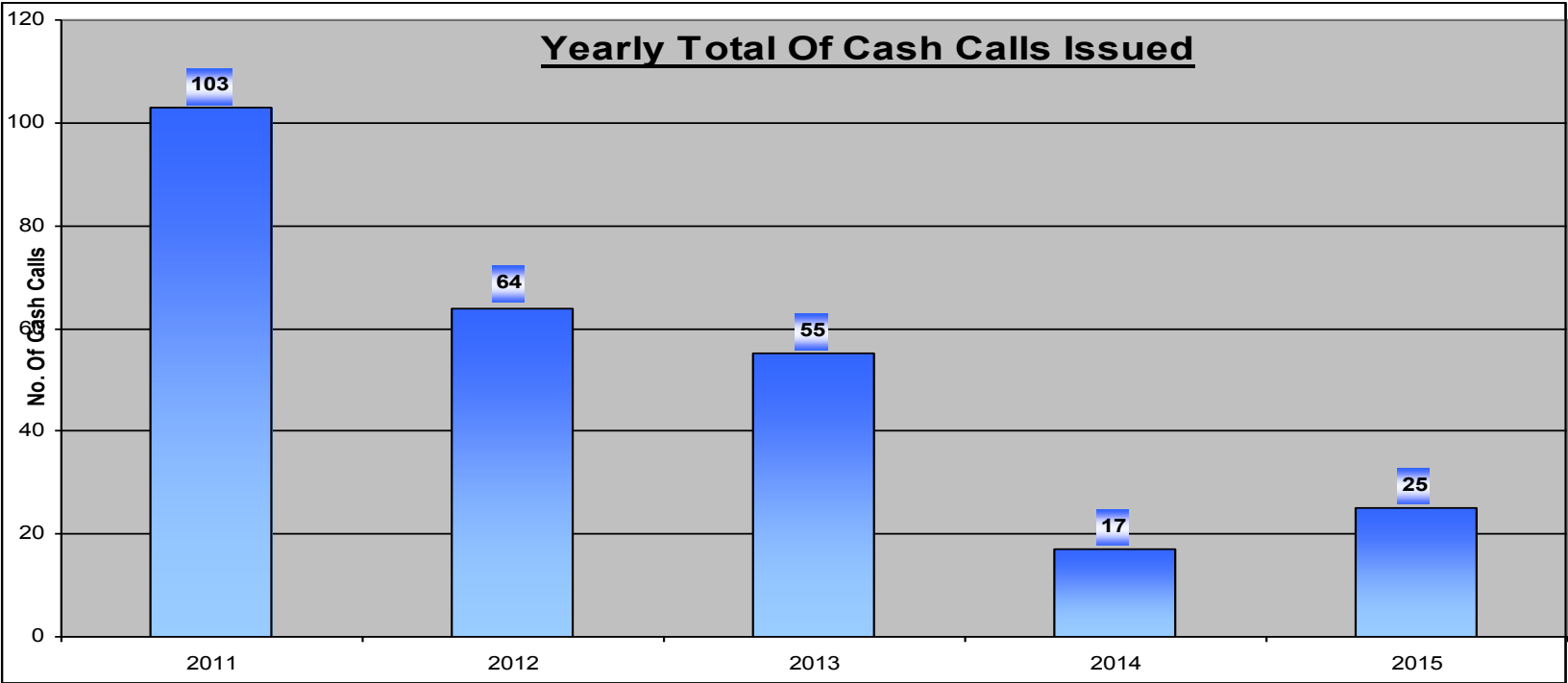


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Cash Call Issued

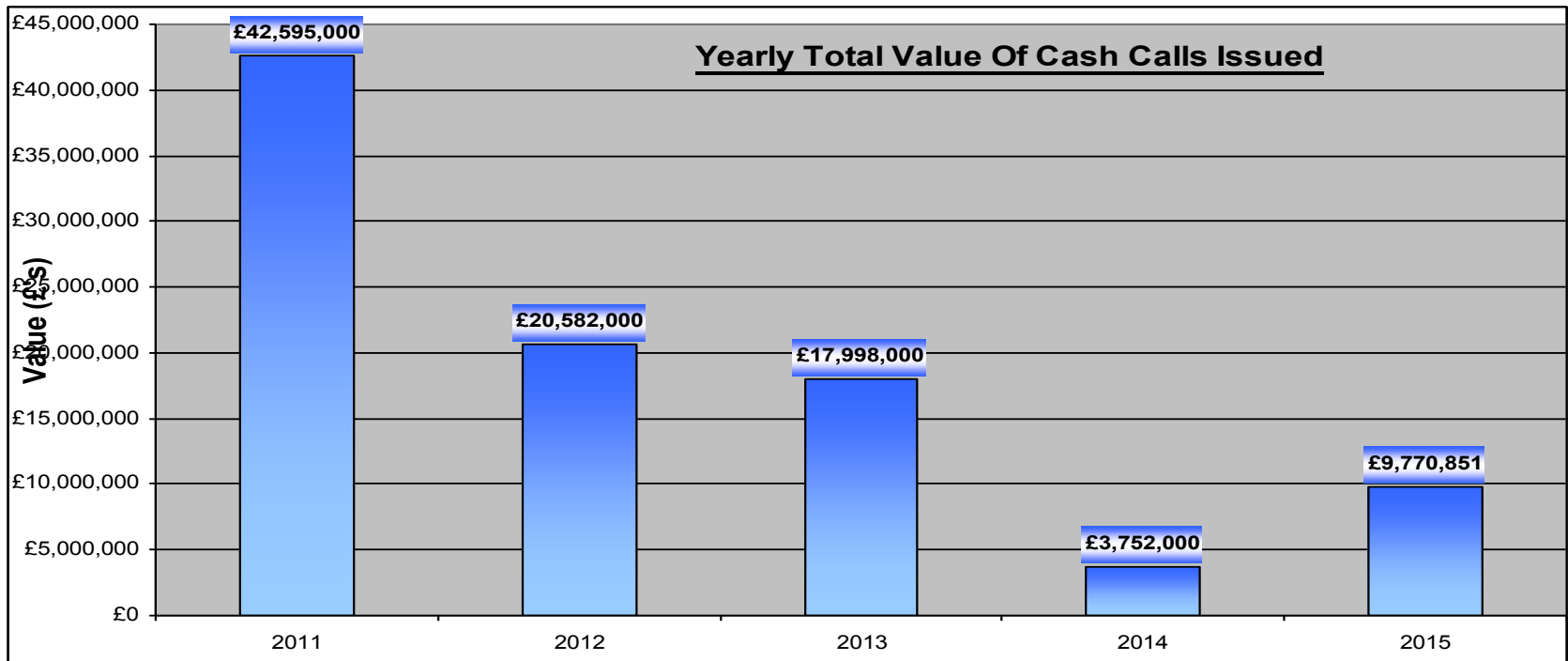


This Graph provides a yearly breakdown of cash calls issued.



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Value of Cash Call Issued



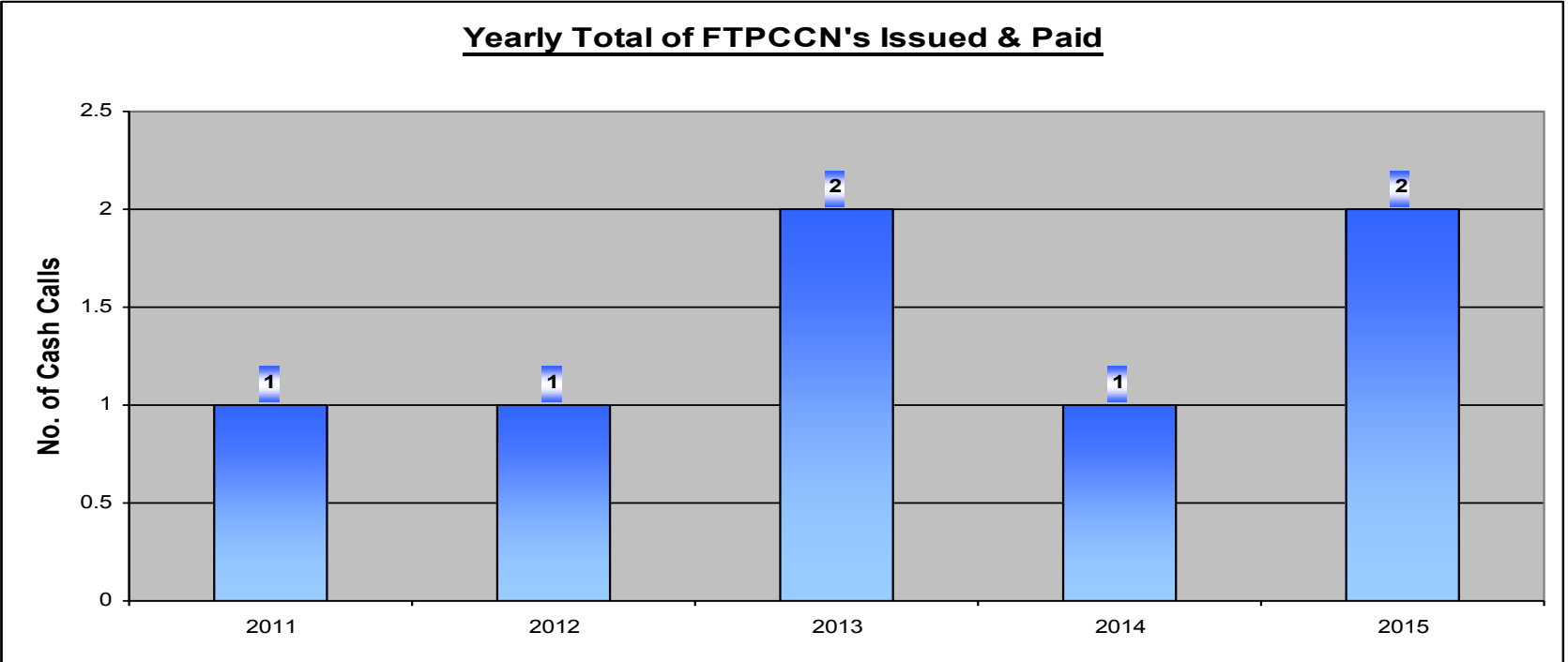
This graph is a year To Date breakdown by financial value and should be viewed in conjunction with the yearly breakdown of cash calls issued.

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FTPCCN's – issued & paid



This graph is a yearly breakdown of Failure to Pay Cash Call Notices issued and paid.



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Market Operator Update



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Review of Energy Balancing Minimum Security



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Modifications

- **Mod 0541/A/B** – Removal of uncontrollable UNC charges at ASEP's which include sub-terminals operation on a 06.00 – 06.00 Gas Day
- **Mod 0555R** – Review of the Market Operator (OCM) Provision
- **Mod 0560** implemented
- **Mod 0568** – Security Requirements and Invoice Payment Settlement Cycle for the Trading System Clearer
- **Mod 569** – Removal of the minimum security requirement £10,000 for energy balancing



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Bank Ratings

Current Position

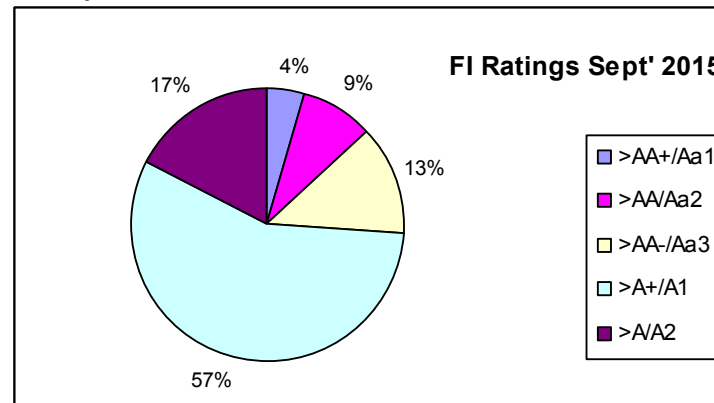
- In June 2015 Deutsche Bank was downgraded by Standard and Poor's from A to BBB+ affecting 8 Users who have since moved to alternative Financial Institutions – the impact of the security value was £25,605,000.
- We are still monitoring the impact of the EU Bank Recovery & Resolution Directive which will come into force in the UK in 2016. Standard & Poor's has already highlighted a number of FI's in the UK which may struggle with the stricter financial controls which the Directive imposes. In particular, Barclay's, Natwest, HSBC, Santander and Lloyds Bank plc. The financial value of the security held against these FI's is £102m and 40% is in the lower rating band. The Financial Conduct Authority has confirmed that the Rules on the contractual recognition of bail-in enter into force on 1st January 2016.
- We continue to monitor Sanctions applied in relation to the situation in the Ukraine by the USA and European Union.

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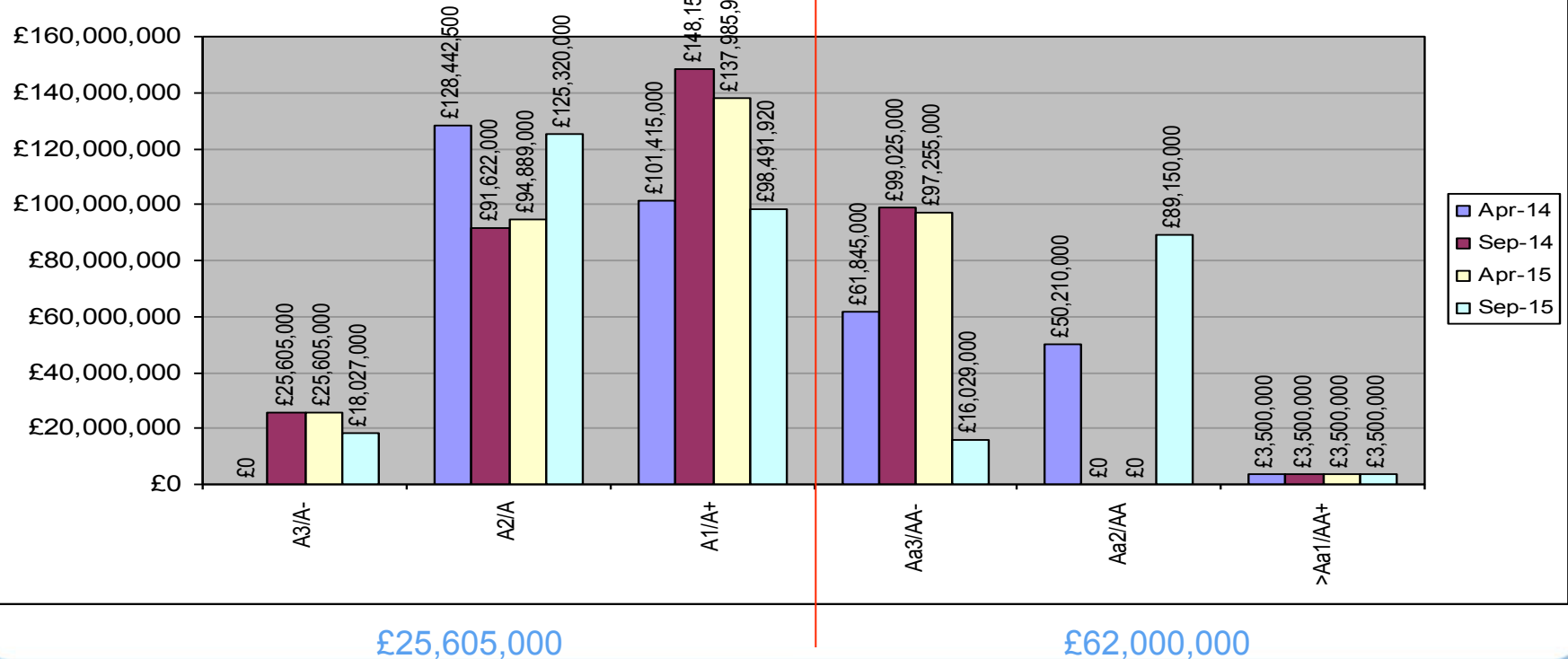
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- The following chart provides a summary of customers exposures to each rating category.
- 4% of all FIs currently providing Security have been subject to a downgrade change during the previous 6 months by Standard and Poors and Moody's Ratings Agencies.
- This resulted in a downgrade value of £25,605,000 which was absorbed by existing FI's
- Currently 74% of FIs are in the lowest categories of investment grade rating. This reflects a 6% decrease since the last reported figures.
- 9 FI's are subject to a negative outlook – equates to £135m out of £351m held as security subject to a (possible) downgrade.



Spread of FI Exposure

Aggregate secured credit by rating band



The movement since Sept' 14 to Sept' 15 is a decrease of overall value in LOC's to £351m. However, the spread of risk is heavily weighted in favour of the lower band although there has been an increase in the Aa2 band.

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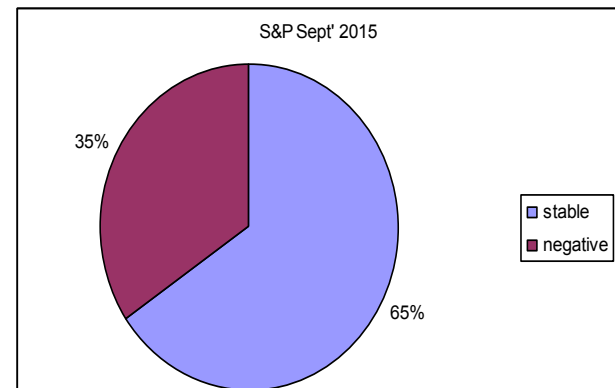
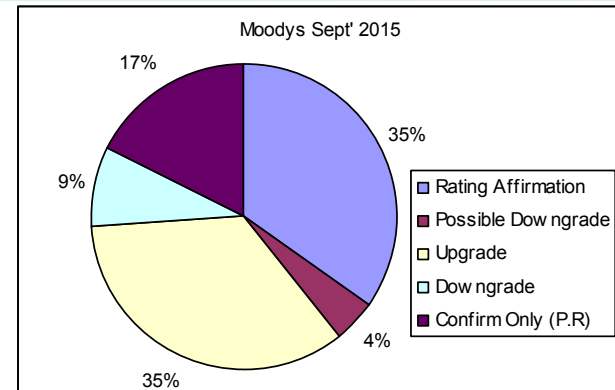


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Current Outlook

- **Moody's anticipate their next review of FI's to take place in February 2016. We have seen a decline in the number of FI's subject to a possible downgrade and is at 4% currently. This equates to one FI in Aa2 for value £9.7m. However, 35% have already been upgraded, whilst 52% of FI's are not on watch.**

* **S&P we previously reported 76% on negative outlook. This has decreased to 35% and equates to 3 FI's in Aa3/AA-> with a value of £50m. In the category A1/A+< there are 5 FI's with a value of £57m subject to negative outlook.**



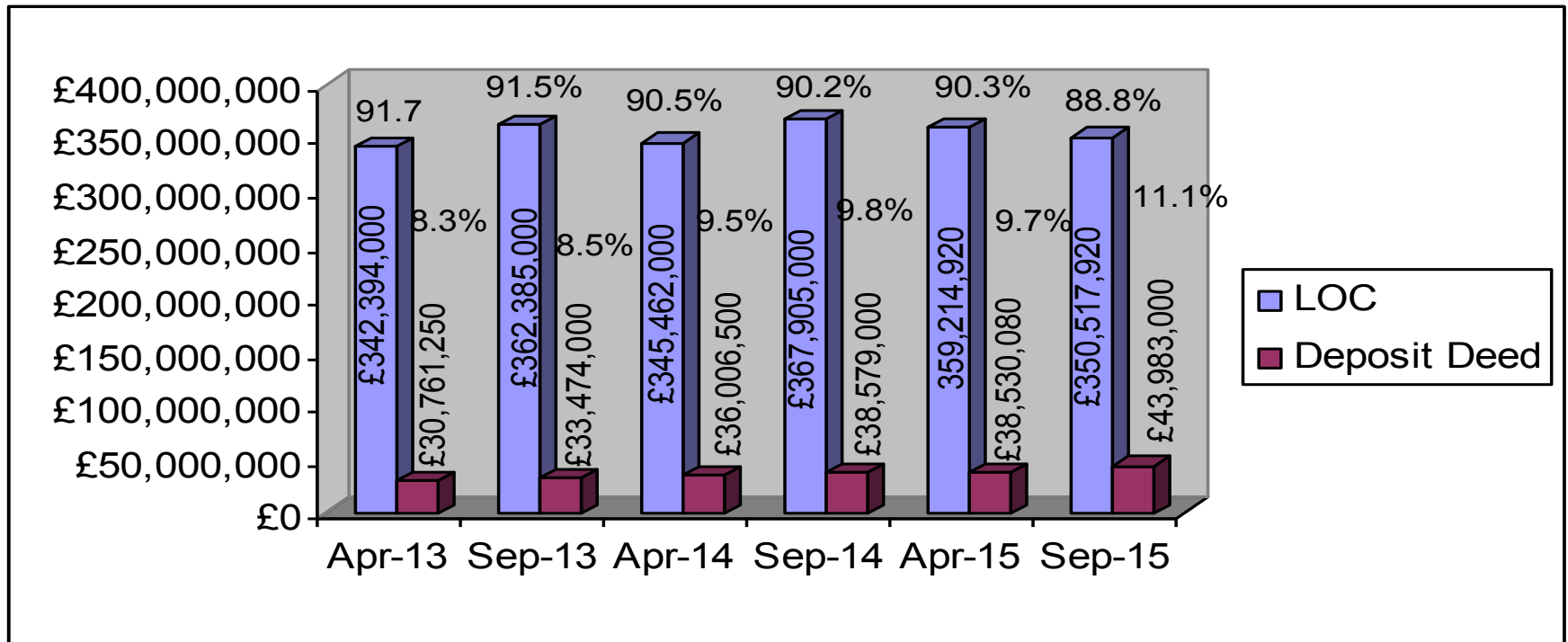
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Deposit Deeds

- Value of credit secured via Deposit Deed and LOC – comparison between April 2013 to Sept' 2015



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Summary

- **We have seen an decrease in the overall value of security (LOC's) during the period April 2015 to Sept' 2015. 70% of the value of (LOC) security held is in the lower rating band.**
- **We continue to monitor those FI's which are currently on possible negative outlook with Standard & Poors & Moody's**
- **During the past six months we have seen a noticeable shift from the majority of FI's within the existing FI portfolio from negative to a stable status. This is driven in part by an improving European economic climate.**
- **Although most of the FI's are negative watch/outlook within the lower band, the value held in security is far greater within this band. The risk has a broader spread. Conversely, if the outlook metric is applied the risk is greater within the lower band as the FI may fall out of the acceptable rating category.**
- **We continue to see an increase in the value of Deposit Deeds held.**

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Review since April 2015

Review since April 2015

- Cash Collection figures saw a challenging month in October 2015. However, the rolling 12 month performance bounced back to 99.36% and remains above target for the past 5 years
- Cash Collection Monthly figures were 100% on 6 occasions over the past 12 months.
- Continued pro-active engagement with Users reaching 70% of indebtedness to minimise Cash Calls. We have seen an increase since last year in the number of cash call notices issued.
- Security Renewals 100%
- Energy Balancing Credit Rules were revised 1st October 2015

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Review since April 2015

- The Credit Team continue with their ICM training with 6 members of the team successfully passing the Accounting Principles module
- Worked with Treasury to appoint a new bank
- Change in Team personnel implemented
- Continue to support development of:
 - EU Reform
 - Gemini Consequential Change

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Focus for 2016 Update

Focus for 2016

- Committee membership\Profile
- Risk Management
 - Spreading Profile
 - Pension Protection Fund
- Team
 - CICM Training programme
 - Performance Excellence
 - Review of Structure
- Change Programme
 - Gemini Consequential change (UK Link Replacement programme)
 - EU Reform
- Market Operator Changes

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AOB



Voluntary Discontinuance

- Society Valmy Defence 17
- Deutsche Bank AG
- Electrabel NV
- Social Ventures in Energy
- Elf Exploration UK Limited



- **EU Phase 3** – Implementation in Apr 2016. Changes include the disapplication of scheduling charges at the Interconnection Points (IPs) and the introduction of an EU balancing meter to convert the 0/25 (reference conditions) EU allocations to 15/15 for balancing purposes.
- **REMIT** – Implementation in Apr 2016. Building an interface between Gemini and ARIS (EU reporting system) to send files containing Capacity trade data and fundamental data (day ahead and within day nominations).



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Any Questions?
Date of Next Meeting