

Energy Balancing Credit Committee Meeting (Teleconference)

on
17 July 2009

Participants

Joint Office (Non voting)

John Bradley (JB) Chair

Shippers (Voting)

Audrey Shindler (AS)

Carl Wilkes (CW)

Gavin Ferguson (GF)

Julie McNay (JM)

Richard Fairholme (RF)

ScottishPower

RWE npower

Centrica

Scottish and Southern
Energy

E.ON UK

xoserve (Non Voting)

Lorraine O'Shaughnessy
(LOS)

Shippers (Non Voting)

David Trevallion (DT)

Scottish and Southern
Energy

Apologies

Gary Russell (GR)

Mark Cockayne (MC)

Corona Energy

xoserve

1. Introduction

JB welcomed the members to the meeting, which was quorate. JB reminded the meeting that following approval of the Energy Balancing Credit Rules the quorum was three.

2. Minutes and Actions from the Previous Meeting

2.1 Minutes

Minutes of the meeting held on 22 June 2009 were agreed without amendment.

2.2 Actions Update

EBC 03/02: xoserve (MC) to investigate the possibility of providing and/or publishing on its website a list of 'acceptable' financial institutions together with a percentage figure for headroom.

Discussion with the legal department are continuing.

Carried Forward

EBC02/04: xoserve (MC) to draft a UNC Modification Proposal for revised Further Security Request provisions.

This was discussed under item 4 below. xoserve will circulate to members the revised text of the Proposal section and the examples discussed.

Carried Forward

EBC01/05: xoserve (MC) to investigate whether funding for payment of Standard and Poor's and Moody's subscription is already covered in the Gas Transporter Licence and why the subscriptions for the two organisations are so different.

This had been discussed at the previous meeting and National Grid NTS will be raising a Proposal.

Carried Forward

EBC03/05: Joint Office (JB) to request the Gas Forum to confirm CW and AS as full members of the EBCC for the remainder of Gas Year 2008/9.

RF reported that the Gas Forum had decided not to take action on this as the annual election will take place shortly. **Closed**

EBC04/05: Joint Office (JB) to draft changes to the Energy Balancing Credit Rules in respect of membership and quorum.

Issued and approved as part of the Version 3.11 of the Energy Balancing Credit Rules. **Closed**

EB01/06: Joint Office (JB) to investigate and clarify Gas Forum rules relating to committee members and interim renomination, etc.

Following the recent meeting of the Gas Forum Executive, which had been attended by RF, it was agreed that the rules are clear. **Closed**

Action EB02/06: Joint Office (JB) to revise EBCC Rules Section 1.2 to take account of the discussion on filling member/alternate interim vacancies and circulate new version to members for comment.

This had been circulated and approved. **Closed**

EB03/06: xoserve (MC) to look at the rules operated at other energy hubs in respect of initial and ongoing Security assessment in relation to various market sectors.

LOS reported that MC had examined these rules and believed that his suggested revisions did not conflict with the principles embodied in the BSC.

Closed

Action EB04/06: xoserve (MC) to add further clarity to the paragraph at Section 2 “How is the Cash Call Limit Calculated” - ‘Existing Users’, and will circulate the revised wording to members; Members to respond as soon as possible with comments/a postal vote to agree to implementation of the new wording.

The revised wording was discussed and amended accordingly. MC to finalise and circulate for approval. **Carried Forward**

3. **Operational Update**

LOS provided the following Operational update:

The EBCC Pack was issued on 10 July 2009 and placed on the Joint Office website.

Cash Call Notices:

During June 2009, there were three Cash Call Notice (CCN) issued, one of which was appealed and reissued and the other two paid on the due date. There was one Failure to Pay (FTP) Notice issued.

Further Security Requests:

No Further Security Requests were issued during June 2009.

Settlement:

The following performance was reported:

| Month | Payment Due Date | Payment Due Date +2 |
|-------------------|------------------|---------------------|
| May | 98.19% | 100.00% |
| June | 98.82% | 100.00% |
| Rolling 12 Months | 99.33% | 100.00% |

4. Modification Proposals

Modification Proposal 0233V

JB reported that discussions were proceeding with National Grid NTS and the lawyers to ensure that any proposal of this nature conformed to the criteria discussed with Ofgem. For this reason, extra time would be taken with preparation and it had not been presented at the June Transmission Workstream.

Further Security Request (FSR) Proposal

LOS went through an outline "Nature and Purpose" section which would be incorporated into the eventual proposal. Members agreed to the principle of these additional requirements being triggered at the third FSR within a rolling twenty eight Day period. They also agreed that any additional security requirement triggered would remain effective for twelve months. LOS then outlined three options for calculating the additional security. Members expressed the view that even the highest of the three would not be unreasonable. LOS agreed to rework the examples and the proposal drafting and circulate both amongst members.

5. Energy Balancing Credit Rules

It was noted that version 3.11 of these rules had been approved and shippers notified on 13 July 2009.

LOS tabled suggested amendments to Section 2, which details the calculation of the Cash Call Limit.

Following discussion, this additional wording was provisionally agreed in respect of Existing Users:

"Calculation will initially be based on 75% utilisation of peak indebtedness over last 12 months to give a figure that represents 85% of the Secured Credit Limit. Where the result of such calculation determines that the User's Secured Credit Limit will be reduced by more than 50%, that User's Secured Credit Limit will be calculated based on 3 Days non-deliverability at 12 months average SAP price".

The draft put forward originally by LOS had envisaged the Existing Users estimating its annual throughput but members considered that it was better top base Secured Credit Limits on historic throughput where that was available.

6. Any Other Business

None raised.

7. Next Meeting

The next meeting will be via teleconference, to be held at 09.30 am on Friday 18 September 2009. The July Operational Pack would be issued but, provided no unexpected developments occurred, no August 2009 meeting of the Committee would be arranged. Members would seek to comment and agree on matters by email as necessary.

Action Log – Energy Balancing Credit Committee: 17 July 2009

| Action Ref | Meeting Date(s) | Minute Ref | Action | Owner | Status Update |
|------------|-----------------|------------|---|-------------------|---|
| EBC 03/02 | 06/02/09 | 5 | xoserve to investigate the possibility of providing and/or publishing on its website a list of 'acceptable' financial institutions together with a percentage figure for headroom. | xoserve (MC) | Legal view being sought. Carried Forward |
| EBC 02/04 | 17/04/09 | 5 | Draft a UNC Modification Proposal for revised Further Security Request provisions | xoserve (MC) | Draft discussed. To be amended and circulated Carried Forward |
| EBC 01/05 | 22/05/09 | 3 | Investigate whether funding for payment of Standard and Poor's and Moody's subscription is already covered in the Gas Transporter Licence and why the subscriptions for the two organisations are so different. | xoserve (MC) | Not covered in licence. Reason for difference established. Proposal to be raised. Carried Forward |
| EBC 03/05 | 22/05/09 | 3 | Request the Gas Forum to confirm CW and AS as full members of the EBCC for the remainder of Gas Year 2008/9. | Joint Office (JB) | Gas Forum responded Closed |
| EBC 01/06 | 22/06/09 | 5.1 | Investigate and clarify Gas Forum rules relating to Committee members and interim renomination, etc. | Joint Office (JB) | Gas Forum has responded Closed |
| EBC 02/06 | 22/06/09 | 5.1 | Revise EBCC Rules Section 1.2 to take account of the discussion on filling member/alternate interim vacancies and circulate new version to members for comment. | Joint Office (JB) | Revised rules approved Closed |
| EBC 03/06 | 22/06/09 | 5.2 | xoserve to look at the rules operated at other energy hubs in respect of initial and ongoing Security | xoserve (MC) | Reviewed Closed |

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|------------|-----------------|------------|---|--------------------------|--|
| | | | assessment in relation to various market sectors. | | |
| EBC 04/06 | 22/06/09 | 5.2 | xoserve to add further clarity to the paragraph at Section 2 "How is the Cash Call Limit Calculated" - 'Existing Users', and will circulate the revised wording to members. Members to respond as soon as possible with comments/a postal vote to agree to implementation of the new wording. | xoserve (MC) and Members | First draft tabled at meeting. Further draft and examples to be circulated Carried Forward |