

Energy Balancing Credit Committee Minutes
Friday 24 February 2012
By Teleconference

Participants

Joint Office (Non voting)
Bob Fletcher (BF) Chair

Shippers (Voting)
David Holland (DH)
David Trevallion (DT)
Gavin Ferguson (GF)
Jonathan Wisdom (JW)
Richard Fairholme (RF)

Xoserve (Non voting)
Mark Cockayne (MC)
Lorraine O'Shaughnessy (LO)

Observers
None

Ofgem (Non voting)

Apologies
Tabish Khan

1. Introduction

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

2. Minutes and Actions from the Previous Meeting

2.1 Minutes

The minutes from previous meeting were approved.

2.2 Actions

EBC 12/01: Xoserve to monitor River Barle's performance on an ongoing basis and report to the EBCC if there is any significant change.
Update: MC advised there was no significant change to report. **Carried Forward**

EBC 12/02: Provide an update on Bank ratings and performances.
Update: MC advised the debt for Greece matures around 20 March 2012 and a number of measures have been taken to rightdown debt and this has hit a number of commercial banks. MC advised that recent reports suggested that approximately 55% of the commercial exposures were with French Banks, 33% with German Banks and 15% of debt lies with UK banks and the most affected Credit Agricole, Commercial Bank and RBS.

MC advised that discussions were to take place with organisations that

have credit arrangements with these banks should they be downgraded in order to provide sufficient warning to make alternative arrangements. The UK is not considered to be at significant risk. MC is to circulate summary of analysis carried out to members. **Open**

3. Operational Update

LO provided the following Operational update for January 2012.

3.1 Cash Call Notices

During December there were 7 Cash Call Notices issued, 5 were paid, 2 were appealed and withdrawn.

Further Security Requests (FSRs)

2 Further Security Request (FSR) were issued during January 2012 and paid on payment due date.

3.2 Settlement:

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
December 2011	95.35%	100%
January 2012	99.84%	100%
Rolling 12 Months	99.30%	100%

LO advised that 2 failure to pay notices were issued. Both Users were contacted and appropriate action taken. One was due to being set up as a chaps rather than bacs payment. GF asked if the party is going to change their process. LO advised that the situation is being monitored. The other party had system problems, which prevented the payment being made on the due date.

4. Modifications

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

MC advised the modification is on hold pending the outcome of the SCR. He added that work is being undertaken to understand how the payments will be managed and confirmed a modification is required to allow the processes to change.

4.2 Market operator

MC advised that they are supporting the drafting of a modification to bring them in line with other Users to monitor exposure against an 85% utilisation whereas the UNC currently UNC Section X2.11.2 provides that the MO's indebtedness is monitored against 60% utilisation of credit limit.

5. Significant Code Review Update.

RF advised that it is still too early in the process to understand the detail and what modifications may be required. Another meeting is planned to discuss the business rules. Ofgem appeared to be favoring the short time payout process – this could result in a significant amount of work for Xoserve. MC confirmed a ROM has been requested to provide a high-level impact assessment.

MC advised that a number of offline processes would be required to take values in and out of neutrality to get to the appropriate cash out values. This is likely to create a number of reconciliations after the event.

MC has advised that there is an existing change programme for Gemini that would either be impacted or significantly prejudice any system solution being developed for the SCR for Oct 2012. RF advised that Ofgem were not looking at credit arrangements as part of the review, this is for the industry to resolve. MC considered that potential shipper failures could compound the issue, as Shippers may not be able to get the necessary security in place in time, which could cause terminations.

MC advised that analysis of the last Gas Balancing Alert had shown on the day, the VOL would not create cash calls due to system updates, it would be the subsequent days that will impact Users, those who are cashed out against the market will definitely be impacted.

MC advised that invoices are manually imported to IMS, so adjustments could be made should code be amended. It's hard to judge the overall impact on Users as there is no visibility of the DRS payments and the actual debt against the User. This has been flagged as an issue to National Grid and Ofgem in terms of assessing the risk.

6. Any Other Business

6.1 Lehman's Commodity Services

MC provided an update on the claim being progressed.

Post Meeting Update:

There is currently an objection filed to reduce and allow the Unsecured Claim in the US Bankruptcy Court. Claim No: 17622 to reduce the claim value to \$15,874,398.73. The hearing date was 22/02/12 but this has now been extended to 22/3/12.

Xoserve are currently negotiating a Termination Agreement with LAMCO (Legal Asset Management Company) who are based in the UK and are currently dealing with the estate. We understand that by agreeing the Termination Agreement this may potentially make the claim more saleable. We have also been advised by LAMCO that it is possible to have the claim allowed without a court hearing if the Termination Agreement and Joint Instruction Letter are agreed. They have confirmed that the advantage of this is that it can be completed within 2 days of agreement. We will be taking further advice from Skaddens on the best route forward.

In addition LAMCO have advised that the first distribution for Lehmans is due to take place anytime over the next few weeks. National Grid will not receive a payment in the initial distribution if the claim is not allowed. Lehman must maintain reserves for claims that are disputed at the time of a distribution, and it will make "catch-up" payments at the next distribution, expected in September 2012, if claims are resolved by then.

The delayed distribution could affect pricing for the claim. If the claim is allowed before the distribution date and it is paid to National Grid, then the claim price would potentially be reduced.

A view is to be taken from the treasury team at National Grid about how debt is traded.

MC advised that bad debt VAT relief is a consideration, which will need to be discussed at a later date and how it affects the claim (whether to include or exclude VAT in the claim sale).

Two organisations have made approaches to seek to buy the debt; these were Barclays Capital Markets and Bank of America.

GF felt that each members company will have a view on the level of debt and the best achievable price for the debt – a tender appears to be the preferable approach.

6.2 End of year AQ process

MC advised that costs running through the process are variable. Recent years have been lower, though this year they had increased. GF asked if Shippers needed to put up more security. MC advised the invoices would follow the adhoc invoicing rules, which means that impacted parties will receive the supporting data 5 days prior to payment. This may invoke the cash call process before parties can put in place appropriate security. In previous years, members had agreed to allow impacted parties to be contacted early and advise of the indicative values to allow them time to put in place security or place payments.

Members agreed unanimously to follow previous rules on this process.

6.3 Voluntary Discontinuance

MC advised a party is looking to exit the market. However, Meter Error invoices might still cause credits or debts adjustments to their accounts over the next 4 months. Members agreed that the party should not exit the market at this time.

7. Date of Next Meeting

The next planned EBCC meetings are as follows:

Friday 23 March 2012, commencing at 10.30 by teleconference.

Friday 27 April 2012, commencing at 10.30 to be held at 31 Homer Road, Solihull.

Action Log – Energy Balancing Credit Committee

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC 12/01	19/12/11	2.0	Monitor River Barle's performance on an ongoing basis and report to the EBCC	MC/LO	Carried Forward
EBC 12/02	19/12/11	3.2	Provide an update on Bank ratings and performances	MC/LO	Carried Forward