

Minutes of Open Meeting of the Energy Balancing Credit Committee
“Credit Arrangements in a Prolonged Emergency”
10:00 Monday 11 December 2006

Attendees

Tim Davis	TD	Joint Office
Richard Fairholme	RF	E.ON UK
Mark Cockayne	MC	xoserve
Christian Pederson	CP	Statoil
Gary Russell	GR	Corona Energy
Julian Majdanski	JM	Joint Office
Joy Chadwick	JC	Exxonmobil
Stephen Oldfield	SO	Exxonmobil
Alan Raper	AR	National Grid Distribution
Claire Thorneywork	CT	National Grid NTS
Jayne Mcglone	JMc	xoserve
Lee Selway	LS	EdF Energy
James Boraston	JB	RWE Npower
Steve Ladle	SL	Waters Wye
Joanna Ferguson	JF	Northern Gas Networks
Mark Couldrick	MCo	Elexon
Ben Woodside	BW	Ofgem
Richard Riley	RR	National Grid
Amanda MacGregor	AM	Scottish Power #
Gavin Ferguson	GF	Accord #
	#	By teleconference

1.0 Introduction and Background to meeting

JM welcomed attendees to the meeting and explained that Ofgem had requested the EBCC to hold this open meeting as a result of feedback from the Gas Emergency Arrangements workshop held on 21 November, in particular to consider whether the current arrangements would be robust if the gas market was to enter a period of prolonged emergency with very high prices

BW further explained that originally Ofgem had circulated an open letter which set out concerns that had been raised within the industry in relation to the resilience of the arrangements in a gas emergency. It noted three issues in particular that required urgent attention by industry: gas emergency cash out, emergency contact details, and credit arrangements in an emergency. Emergency contacts was being taken forward with customers and Ofgem were holding a further meeting to explore cash out on 14 December.

2.0 Current Energy Balancing Arrangements

MC explained that the arrangements for Energy Balancing Credit and the powers of the EBCC are the same, regardless of whether there is an emergency. He gave a detailed presentation of them and explained their operation. (attached)

He concluded by highlighting two areas that could be improved in the current arrangements. These would be helpful at all times but especially during the exacerbated trading conditions of a gas emergency.

1) Incorporate the obligations of condition 22b into the Supplier Licence and deem the supplier to become party to the UNC at the point that the licence provision is enforced

2) Amend both Shipper and Supplier licences to empower Ofgem to revoke licences and appoint SoLR immediately at point of Termination from UNC

Ofgem were asked to consider these proposals and respond with their comments

Attendees agreed that it was better to limit exposure by quicker processes to end any ongoing exposure, rather than attempting to increase credit cover and therefore increase industry costs.

3.0 Open Discussion

JM opened the meeting to all attendees and a general discussion centred on the effect of any Energy Balancing smear to Users, caused by the failure of a User. Because this would take two to three months to be billed, it was considered by attendees to be unlikely to have any knock on or domino effect and create risk of systemic shipper default.

Attendees also considered that high prices resulting from a shortage of gas due to loss of a terminal would result in demand being curtailed and that the system would be brought into balance by this load shedding. Therefore, regardless of individual Users' positions, once the system had balanced, exposure should be limited.

The consensus of the meeting was that in the event of a prolonged emergency, rather than any major issues with credit, it was security of supply and unrestricted cash out prices that were the areas of concern.

4.0 Conclude meeting

No other business was raised and JM closed the meeting