

TIMETABLE AND EXPLANATION OF DEFAULTS

The timetable below pulls together the information relating to the key events relating to Suppliers entering into Default under Section H of the BSC in December 2005 - February 2006. It also provides a brief explanation of the rules surrounding the Default and Supplier of Last Resort processes and, where not commercially sensitive, gives an indication of some of the activities occurring in the background.

For further information on Defaults refer to [Newscast issue 82](#), available to download from the Publications section of www.elexon.co.uk. Urgent information in respect of the defaulting parties was issued to the industry via [ELEXON Circulars](#): EL01337, EL01341, EL01342, EL01344, EL01345, EL01346, EL01347, EL01350, EL01353, EL01355 and EL01356. The ELEXON Circulars are also available to download from the Publications section of www.elexon.co.uk.

DATE	EVENT	BEHIND THE SCENES	EXTRA INFORMATION ON DEFAULTS
1/12/05	<p>Team Group of Companies Ltd</p> <p>Ofgem informed ELEXON that it had been in dialogue with Team. Team had told Ofgem the previous day that it was unable to pay its debts and had proposed a voluntary arrangement with its creditors.</p> <p>Ofgem confirmed around 6pm that it would revoke Team's Supply Licence as of 11pm that evening and that it intended to appoint a Supplier of Last Resort ("SoLR").</p>	<p>ELEXON investigated Team's status in respect of credit cover, indebtedness, contracts (present and future) and registered BMUs. It was noted that while Team had a Supply Licence, it was not itself trading under the BSC, and so was not incurring Trading Charges or other BSC charges. Team had contracts with customers for the supply of electricity, but used Utility Link Ltd ("Utility Link") to supply those customers. As a result, the customers, under the BSC, were "registered" to Utility Link and not to Team. It also appeared that Team's customers were spread across 14 GSPs and not easily distinguishable from Utility Link's other customers.</p> <p>ELEXON prepared a draft briefing paper for the Panel in the expectation of the need for an</p>	<p>Ofgem must revoke the Supply Licence of a failing Supplier before it can invoke the Supplier of Last Resort (SoLR) process. Ofgem can revoke a Supply Licence on 24 hours notice if a specified insolvency event occurs in relation to the relevant Supplier. The specified insolvency events are set out in the standard Supply Licence. If Ofgem decides to appoint a SoLR, the appointment of the SoLR is backdated to the end of the 24 hour notice period. In this way the SoLR is effectively appointed from the moment the Supply Licence is revoked.</p> <p>There are a number of events which may trigger a Section H Default under the BSC. Until there is a Section H Default, the Panel cannot take any steps in relation to the Party. A statement by a Party that it is unable to pay its debts as</p>

DATE	EVENT	BEHIND THE SCENES	EXTRA INFORMATION ON DEFAULTS
		<p>urgent Panel meeting.</p> <p>Late evening internal meetings were held at ELEXON to consider whether ELEXON had clear public evidence that a Section H Default had occurred. The necessity to make direct contact with Team to confirm the situation was agreed.</p>	<p>they fall due and/or it intends to enter an arrangement with its creditors constitutes a Default under Section H3.1.1(g)(i) and (ii) of the BSC.</p> <p>If ELEXON becomes aware that a Section H Default is likely, it will monitor the situation. Once the situation is sufficiently clear, it will also alert the Panel to the situation and to the probable need for an urgent Panel meeting to deal with matter. The availability of the Panel members for an urgent meeting is obtained and the Panel members are placed on standby.</p>
<p>2/12/05</p>	<p>An Urgent Panel Meeting in relation to Team was convened for 2p.m. The Panel applied the Section H resolutions that effectively prevented Team from submitting further contract notifications (i.e. ECVNs and MVRNs). Team was made aware in advance of the meeting of the potential resolutions that the Panel could apply but declined the invitation to participate in the meeting.</p> <p>ELEXON issued a circular informing Parties of the resolutions made by the Panel.</p>	<p>Early morning internal meetings took place at ELEXON and the terms of the Ofgem notice revoking Team's Supply Licence were evaluated. Contact was made by ELEXON with the Managing Director of Team in order to receive direct confirmation that Team was unable to pay its debts and had proposed an arrangement with its creditors. The Managing Director was informed of the Section H Default process and its potential consequences. Team was given the opportunity to attend and make representations to the Panel meeting. A Section H briefing paper explaining Section H was sent to Team.</p> <p>ELEXON updated its briefing note for the Panel</p>	<p>The main Panel resolutions were made effective from 6pm that evening in order to allow the 3 Parties with contract authorisations in place to become aware of the situation and for any last minute contract notifications to be backed out.</p> <p>Issues had also been identified with Section K of the BSC and the SoLR process. Section K is designed to deal with a situation where a failing Supplier supplies its customers through BMUs which are registered to it. Section K provides for the transfer of these BMUs to an SoLR (and by this means the failing Supplier's customers are effectively transferred to the SoLR). It does</p>

DATE	EVENT	BEHIND THE SCENES	EXTRA INFORMATION ON DEFAULTS
	<p>Later that day, Ofgem appointed npower as SoLR.</p>	<p>on the position of Team. ELEXON contacted National Grid and Ofgem in relation to the potential Section H resolutions which required National Grid and Ofgem approval.</p> <p>After the Panel meeting Team was contacted and informed of the Panel’s resolutions. ELEXON put into place all other steps required to implement the Panel’s resolutions.</p> <p>In addition, ELEXON had an ongoing dialogue with Ofgem, Utility Link and the MRA on how to implement the transfer of the MPANs relating to Team’s customers to the replacement Supplier, given the complex nature of the arrangement between Utility Link and the Team customers. Npower was invited through Ofgem to contact ELEXON to facilitate the implementation of the SoLR process through Section K. Discussions thereafter also took place between ELEXON and Npower.</p>	<p>not cater for the transfer of either individual MPANs or groups of MPANs which form part, but not all, of a BMU’s overall portfolio.</p> <p>The failing Supplier/SoLR process in Section K could not therefore be used effectively in the case of Team because it did not have any BMUs. The BMUs used to supply Team’s customers were owned by Utility Link. It was therefore necessary to use the Change of Supplier process to complete the transfer of Team’s customers to the SoLR.</p>

DATE	EVENT	BEHIND THE SCENES	EXTRA INFORMATION ON DEFAULTS
<p>12/12/05</p>	<p>UTILITY LINK</p> <p>ELEXON was aware that Utility Link was in Level 2 Credit Default. It had been subject to high Imbalance Charges between 23/11/05 and the appointment of the SoLR in relation to Team's customers on 1/12/05. This was mainly as a direct result of its commercial arrangements with Team. When Team ran into financial difficulty, Utility Link was left exposed to the volume of energy used by the Team customers at a time when prices were high. The total Trading Charges incurred in respect of this period were estimated at £2.8m and Credit Cover amounts were £45k.</p> <p>The Trading Charges were not yet due for payment.</p>	<p>As Utility Link was not in Section H Default at this time, the steps ELEXON or the Panel could take were limited.</p> <p>ELEXON actively monitored the situation. It also made contact with Utility Link to discuss the situation and ascertain whether it expected to enter into Section H Default. The situation remained unclear, but it was noted that Utility Link remained optimistic as to its financial situation. ELEXON sent Utility Link the standard Section H briefing document.</p> <p>ELEXON also alerted the Panel to the possibility of an urgent Panel meeting being required. The Panel, Ofgem, National Grid and ELEXON staff availability over the Christmas period was ascertained and a draft Panel briefing note was prepared.</p>	<p>While there was concern about the situation of Utility Link and the high level of the Trading Charges involved, there was no Section H Default. All invoices had been paid and payments were not yet due for the bulk of the Trading Charges involved. Failure to pay Trading Charges would have constituted a Section H Default.</p> <p>A Party must be in Level 2 Credit Default for a continuous period of 60 days or an intermittent period of 75 days out of 120 before it is in Section H Default (when P188 is implemented in June 2006, these timescales will be reduced and Trading Parties with a Credit Cover Percentage greater than 100% must reduce it within 2 Working Days or enter Default).</p> <p>Under Section P if a Party is in Level 2 Credit Default, all subsequent ECVNs and MVRNs which are submitted and which do not have the effect of decreasing Energy Indebtedness will be refused and ineffective. This was the situation with Utility Link as a result of it entering into Level 2 Credit Default.</p> <p>However, the fact that Section P may apply does not stop a Supplier trading in the imbalance mechanism and continuing to accrue unsecured liabilities. The same situation unfortunately applies even if the Panel makes resolutions under Section H to suspend and disapply a Party's ECVNS and MRVNs. Such resolutions do not prevent a Supplier trading in the imbalance mechanism and thereby incurring Trading Charges. In order to stop incurring Trading Charges, the draw down of electricity by the Supplier's customers must cease or the customers must be transferred to a new Supplier.</p>

DATE	EVENT	BEHIND THE SCENES	EXTRA INFORMATION ON DEFAULTS
<p>13/12/05 and following days</p>		<p>Over the following days, ELEXON continuously monitored the Utility Link situation. It also maintained contact with both Ofgem and Utility Link. Utility Link was also in separate contact with Ofgem. The BSC Panel Chairman was kept fully updated.</p> <p>ELEXON was informed by Utility Link that it was seeking a bilateral agreement with Team for the payment of the large imbalance costs for 23/11/05 – 30/11/05. Utility Link remained hopeful that it would be able to resolve its position. ELEXON urged Utility Link to seek specialist insolvency advice.</p>	

DATE	EVENT	BEHIND THE SCENES	EXTRA INFORMATION ON DEFAULTS
13/12/05 and 14/12/05	ELEDOR LIMITED ELEXON became aware that Eledor might be in financial difficulty, but that it was hopeful of putting a recovery plan in place.	ELEXON investigated Eledor's position under the BSC and prepared a draft briefing note to the Panel. ELEXON noted that Eledor had incurred Trading Charges to date of approximately £150K. However, these monies were not yet due for payment. Eledor had £40K credit cover. ELEXON alerted the Panel to a potential Section H default situation	
15/12/05	ELEXON was urgently informed by Ofgem that Eledor was intending to appoint an administrator later that day and that as a result Ofgem planned to revoke the Supply Licence and subsequently appoint a SoLR. Eledor did not in fact appoint an administrator until the following day.	ELEXON continued to monitor the situation and kept in contact with relevant persons.	Eledor was not in Section H Default and therefore there was nothing the Panel could do at that time.
16/12/05	Confirmation was received that an administrator had been appointed to Eledor and that it could not pay its debts. Eledor was therefore in Section H Default. An urgent Panel meeting was convened. The administrator attended the meeting and explained that it was necessary for Eledor to continue to trade until the end of the 24 hour notice period before the Supply Licence revocation	ELEXON kept in contact with Eledor throughout the day. The Panel was alerted to the probable timing of an urgent Panel meeting. After the administrator was appointed, ELEXON made contact with the administrator and informed him of the Section H process and of the Panel meeting. ELEXON invited the administrator to attend the Panel meeting. ELEXON sent the administrator the standard Section H briefing document.	

DATE	EVENT	BEHIND THE SCENES	EXTRA INFORMATION ON DEFAULTS
	<p>became effective (i.e. till midnight on the following day). The administrator undertook to cover any shortfall in Credit Cover for this period. The Panel's resolutions included the suspension and disapplication of those ECVNs and MVRNs which would not have the effect of decreasing Energy Indebtedness.</p>		
<p>19/12/05</p>	<p>Ofgem appointed Npower as SoLR in relation to Eledor on 19/12/2005 (effective as of 00:00 hours on 18/12/05).</p>	<p>ELEXON undertook the SoLR actions required under Section K of the BSC.</p>	
<p>19/12/05</p>	<p>A letter was received from Utility Link advising that it was unable temporarily to make the payments in respect of Settlement Days 22/11-1/12/05 inclusive[check dates]. The letter said that all other payments would be met as they fell due and it was Utility Link's intention to pay the outstanding amount as soon as it was in a position to do so. This letter put Utility Link into Section H Default. An urgent Panel meeting was convened. Utility Link attended the meeting to make representations to the Panel, including in relation to its hope that it</p>	<p>The Panel and ELEXON had no visibility of the nature of the contractual arrangements between Utility Link and either its customers or the entities on behalf of whom it supplied its customers. However, at the Panel meeting, the Panel was informed by Utility Link of a number of companies with whom Utility Link had a relationship similar to that which it had with Team. These entities, some of whom were BSC Parties, continued to need electricity to be supplied to their customers and also a limited ability to register MPANs (e.g. when a customer changed properties). The Panel was concerned that despite the resolutions which it had made, electricity being drawn down by Utility Link's</p>	<p>As has been mentioned above, irrespective of whether or not the Panel passes resolutions suspending and disapplying notifications, this does not prevent a Supplier trading if its customers continue to draw down electricity. Such a Supplier will be trading in the imbalance mechanism and will continue to incur Trading Charges.</p> <p>The information relating to the registration of MPANs is usually only available to ELEXON several weeks after the event but in this case ELEXON agreed with the SVA that it would provide this information on a more immediate basis.</p>

DATE	EVENT	BEHIND THE SCENES	EXTRA INFORMATION ON DEFAULTS
	<p>would be able to over time recover sufficient of the monies owed by Team to be able to pay its BSC debts. The Panel made resolutions only allowing Utility Link to submit ECVNs and MVRNs that would have the effect of decreasing the indebtedness of Utility Link. The Panel decided not to suspend the right of Utility Link to register Metering Systems, but formally required ELEXON to continue to monitor the situation.</p>	<p>customers would result in Utility Link incurring further Trading Charges. The Panel noted that the total current Trading Charges and other charges was c.£2.6m. The Panel therefore requested formal confirmation from Utility Link that the appropriate bilateral agreements were in place with the relevant parties for the imbalance costs, including in relation to Team. The Panel also requested that Utility Link continue to trade long as this would minimise further charges. The Panel asked Utility Link to keep ELEXON informed of the rate of registration of new Metering Systems (which the Panel indicated should be limited), its trading strategy in the imbalance mechanism and of the agreements it planned to put in place with Team. The Panel considered the situation to be particularly concerning and agreed to meet again to reassess the situation. The Panel also required ELEXON to monitor the situation relating to the registration of MPANs.</p>	
<p>22/12/05</p>	<p>ELEXON circulated a paper to the Panel updating it on the situation concerning Utility Link.</p>	<p>An urgent meeting of the Panel was convened for the following day to discuss Utility Link and Eledor. ELEXON also informed Utility Link that a further urgent Panel meeting was to be held.</p>	
<p>23/12/05</p>	<p>The Panel convened an urgent meeting to discuss the situation of Utility Link and Eledor. Utility Link</p>	<p>The Panel instructed ELEXON to obtain formal confirmation from Team's SoLR that the Imbalance Charges for the period 1/12/05-</p>	<p>Utility Link was still at this stage only in Section H Default by reason of its statement that it would not be able to pay the Trading Charges</p>

DATE	EVENT	BEHIND THE SCENES	EXTRA INFORMATION ON DEFAULTS
	<p>attended the meeting (in part). The Panel was informed that Utility Link continued to trade long; the registration of MPANs was limited; a letter had been received from Team confirming its intention to pay the Imbalance Charges, should it be able to collect its outstanding debtor book; and that the SoLR for Team had confirmed verbally to ELEXON that it would pay direct to ELEXON Clear the Trading Charges relating to Team's customers which had arisen after its appointment as SoLR. The Panel decided not to take any further action in relation to Utility Link at this juncture, but to require ELEXON to continue to closely monitor the situation.</p> <p>The Panel, now that the last of Eledor's customers had been transferred to its SoLR, also at this meeting made resolutions formally suspending the right of Eledor to submit any further notifications.</p>	<p>7/12/05 would be paid direct to ELEXON Clear.</p>	<p>as they fell due. At this time no Trading Charges were in fact actually due. The next invoice was not due for payment until 28/12/05. Utility Link was therefore not expected to go into Payment Default under Section H until 3 working days after that date (i.e. 04/1/06).</p>
<p>5/01/05</p>	<p>Whilst Utility Link had paid some of the Trading Charges due, it had not</p>	<p>ELEXON continued to monitor the situation and remained in contact with Utility Link. It send an</p>	

DATE	EVENT	BEHIND THE SCENES	EXTRA INFORMATION ON DEFAULTS
	<p>paid the full amount due. ELEXON contacted Utility Link who confirmed that another client company in addition to Team had defaulted on two payments due to Utility Link, totalling approximately £1m. As a result of this Utility Link was no longer able to trade long. An urgent Panel Meeting was convened for first thing the following day.</p>	<p>updated briefing paper on the situation to the Panel</p>	
<p>6/01/05</p>	<p>An urgent Panel meeting was held. Utility Link made representations to the Panel concerning its position and future prospects. The Panel noted Utility Link's statement that it still considered itself to be a going concern. The Panel also took into account the potential impact on Utility Link's client companies, not all of whom it was aware of, and whose positions it did not know. However, the Panel concluded that it had no option but to suspend the right of Utility Link to register further Metering Systems. The Panel also decided to consult with Parties under Section N12.2.2 of the BSC with a view to instituting debt recovery proceedings</p>	<p>ELEXON estimated a daily debt accrual rate for Utility Link under its present trading strategy of potentially £30k per day.</p> <p>Ofgem contacted all affected client companies of which it had been made aware to forewarn them of the potential impact of the SoLR process. It is understood that certain client companies indicated that they hoped to be able to transfer their customers to another Supplier.</p> <p>ELEXON prepared the relevant Section N consultation documents.</p>	<p>Ofgem was not in a position to revoke Utility Link's Licence on 24 hours notice, and thus could also not appoint a SoLR. The reason for this was that none of the triggers for the revocation of the Supply Licence had then occurred. The triggers for the revocation of the Supply Licence on 24 hours notice are (as mentioned above) the relevant insolvency events described in the standard Supply Licence.</p> <p>If Utility Link's Supply Licence had been able to be revoked and a SoLR appointed, all Utility Link's BMUs could have been transferred to the SoLR under Section K of the BSC (and thus all Utility Link's customers would have been transferred to the SoLR).</p>

DATE	EVENT	BEHIND THE SCENES	EXTRA INFORMATION ON DEFAULTS
	against Utility Link.		
10/01/06	An urgent Panel meeting was convened to enable the Panel to consider the industry responses to the Section N consultation. Utility Link attended the meeting and reported that it was in negotiations with another company, the outcome of which was uncertain. The Panel agreed to instruct ELEXON to institute proceedings for the recovery of the amount in Payment Default noting that this could be halted should Utility Link's debts be paid. The Panel resolved to disapply ECVNs other than those which would have the effect of decreasing Energy Indebtedness.	Throughout this period, Ofgem, ELEXON and the Panel continued to urge Utility Link to seek legal advice on its legal status in insolvency terms and had received continued assurance in this regard.	
13/01/06 and days following	Meetings and discussions took place between ELEXON and Utility Link and its advisers (Bishop Fleming). ELEXON was also informed that certain of Utility Link's client companies had transferred their customers to new suppliers. ELEXON served a statutory demand on Utility Link.		
17/01/06	Joint Administrators (Bishop Fleming) were appointed to Utility Link. Ofgem	ELEXON's discussions with Utility Link's administrators have continued. ELEXON has	

DATE	EVENT	BEHIND THE SCENES	EXTRA INFORMATION ON DEFAULTS
	issued a notice revoking Utility Link's Supply Licence effective at 0.00 on 19 January 2006.	been in regular contact with the administrators in order to ensure that it can obtain as much payment as possible of the Utility Link debt.	
19/01/06	London Electricity appointed as SoLR for Utility Link.	ELEXON instituted the Section K process in relation to the SoLR for Utility Link.	
25/1/06	Zest4 Electricity Ltd - ELEXON was informed by Zest that it was looking to exit the market in an orderly manner.	ELEXON considered Zest's position. Zest was not in credit default and did not have any outstanding debts under the BSC.	
27/1/06	ELEXON was informed by ZEST that it was concerned about its situation and that there was a possibility that in the future it might go into a Section H Default. However, Zest also indicated that it was in discussions with interested third parties.	<p>ELEXON asked Zest to remain in regular contact and suggested that it sought specialist insolvency advice. ELEXON until 7 p.m. remained on standby to arrange an urgent Panel meeting. It then arranged to speak to Zest to receive an update on the situation the following morning (Saturday). The standard Section H briefing document was sent to Zest.</p> <p>The Panel was alerted that there was a potential Section H Default and members were asked to confirm their availability over the next several days. ELEXON prepared a briefing note for the Panel. Zest at this stage had Trading Charges of c.£100K and no credit cover. However, no monies were currently due from Zest and it was not in Section H Default. It was noted that Zest had recently reduced its credit cover from £200K</p>	A particular issue was identified with the Minimum Eligible Amount process whereby Parties can request that Credit Cover be returned to the level allowed by the Energy Indebtedness calculations. The nature of these calculations can allow Credit Cover to be returned when, in reality, actual debts are accruing.

DATE	EVENT	BEHIND THE SCENES	EXTRA INFORMATION ON DEFAULTS
		to zero as permitted by the BSC.	
28/01/06	ELEXON contacted Zest. Zest confirmed that it could not as yet say that it was unable to pay its debts as and when they fell due. As a result, there was no Section H Default.	ELEXON continued to monitor the situation. Zest still did not have any outstanding debts under the BSC.	
30/01/06	ELEXON remained in contact with Zest. Zest indicated that there was third party interest in its business.		
31/01/06	Late in the afternoon ELEXON received a formal notice from Zest that it was unable to pay its debts as they fell due. This put it into Section H Default. An urgent Panel meeting was therefore convened. A representative attended from Zest and explained the intention to appoint administrators. The Panel made the appropriate resolutions, including resolutions suspending and disapplying ECVNs and MVRNs.		As mentioned above, the fact that the Panel may suspend and disapply ECVNs and MVRNs does not prevent a Supplier trading in the imbalance mechanism. The Supplier's customers will still be drawing down electricity.
3/02/06	Administrators were appointed in relation to Zest. Ofgem revoked Zest's Supply Licence effective at 00.00 on 4 February 2006. BGT was appointed as SoLR effective from the same time.		
7/02/06	Greenwich Energy Trading Limited	Greenwich had traded through Utility Link. It had	

DATE	EVENT	BEHIND THE SCENES	EXTRA INFORMATION ON DEFAULTS
	appointed administrators	not incurred any Trading Charges. It had credit cover of £750. Greenwich's position was static and no Trading Charges were likely.	
13/02/06	ELEXON became aware that administrators had been appointed in relation to Greenwich. An urgent Panel meeting was convened and the Panel applied the appropriate resolutions.		