

UNC DSC Credit Committee Minutes
Monday 21 May 2018
via teleconference

Attendees

Chris Shanley (Chair)	(CS)	Joint Office	Non-Voting
Helen Cuin (Secretary)	(HC)	Joint Office	Non-Voting
Adam Lane	(AL)	Shipper	Voting Member
Darren Lond	(DL)	Transporter	Voting Member Alternate
Ian Clark*	(IC)	Transporter	Voting Member
John Burke	(JB)	Transporter	Voting Member
Mark Cockayne	(MC)	CDSP	Non-Voting
Michele Kearney	(MK)	CDSP	Non-Voting
Paul Whitton*	(PW)	Transporter	Voting Member
Pauline Babb*	(PB)	Shipper	Voting Member
Sallyann Blackett	(SBI)	Shipper	Voting Member
Sandra Dworkin	(SDw)	CDSP	Non-Voting
Sue Davies*	(SDa)	Transporter	Voting Member

Apologies

James Hill	(JH)	Shipper	Voting Member
Phil Lucas	(PL)	Transporter	Voting Member
Thomas Butler	(TB)	ES Pipelines	Voting Member

Copies of all papers are available at: <https://www.gasgovernance.co.uk/dsc-credit/210518>

1. Introduction and Status Review

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

1.1. Apologies for absence

See above table.

1.2. Note of Alternates

Darren Lond for Phil Lucas.

1.3. Approval of Minutes (23 April 2018)

The minutes from the previous meeting were accepted.

1.4. Review of outstanding actions

None outstanding.

2. Approve changes to the DSC Credit Rules/DSC Security

SDw confirmed that there were no changes to consider this month.

3. CDSP Operational Report**3.1. CDSP cash collection update**

The following performance was reported for cash collected:

Month	Payment Due Date	Payment Due Date +3
March 2018	95.98 %	100%
April 2018	73.47%	97.69%

SDw explained that the significant percentage reduction in the value received at Payment Due Date, related in part to one customer where £1.4m had been paid one day late due to a back-office issue which has now been resolved. For the Payment Due Date +3, one customer paid 4 days late due to a sort code issue.

SDw stated as previously reported the debt still outstanding was in relation to two companies that were in administration totalling £5578.80 inc VAT.

3.2. CDSP security management update

SDw provided an update on customers security:

- 92% supported by a published credit rating by an approved rating agency;
- 6% unsecured, but exposure was less than £150
- 2% secured exposure underwritten by a third-party Letter of Credit or Parent Company Guarantee.

3.3. Breach of a DSC Credit Limit, late or non-payment of CDSP Charges

SDw confirmed that there had been no breaches of DSC Credit limit for April, however a Notice of Failure to Provide Further Security had been issued in respect of a customer who has a Third-Party Data Enquiry Contract and are looking to put a Letter of Credit in place but may not meet the required timescales. SDw confirmed she would provide a further update on expiry. SDw confirmed that there were 22 Notice of Failure to Pay Invoices in April issued with a combined value of £1,596,948.04, all now paid in full.

4. Review of 2017/18 - including Credit Risk Annual Review

The CDSP provided a presentation for the Credit Risk Annual Review.

MC gave a brief overview on the Cash Collection; the CICM Awards, confirmation of the CICM Quality re-accreditation, and continued CICM Credit Training.

MC also confirmed that following last month's meeting where it was agreed to charge late payment to customers who had hit a trigger of 3 or more late payments in a rolling 12 month period, that late payment invoices had now been issued and were due the end of the month. He noted that the values are fairly low. He also noted that some customers had now moved onto advanced invoicing.

SDw provided an overview of the changes, since implementation of the DSC/CDSP, including the removal of security requirements for Networks, the expansion of acceptable published rating agencies, the credit limit based on maximum indebtedness, the escalation of late payment via email and later payment charges for recurring late payers.

SDw confirmed that a number of options were under review relating to Credit insurance, credit limits, rating agencies and accruals.

MC confirmed one of the options was to look at credit insurance and the cost of providing this, this has been discounted due to the cost and likely benefits.

SDw reported that the DSC credit committee agreed to base the credit limit on the maximum exposure. Analysis undertaken over a 6 week period, confirmed that the 80% trigger had been reached on 30 occasions. The CDSP are continually revisiting credit limits, however there is no headroom, and as a result the process has become a labour intensive exercise which appears to be adding very little value. Therefore, the CDSP are looking for an agreement for the use of the maximum unsecured credit limit provided by a Published Rating Agency rather than anticipated Maximum Indebtedness.

SDa suggested a percentage is set as a tolerance, to allow some headroom. The CDSP agreed to take this suggestion away to consider further.

Action 0501: Xoserve to review and consider either using the maximum unsecured credit limit provided by a Published Rating Agency or setting a percentage tolerance level to allow more headroom for the calculation of Credit Limits.

SDw explained that there are currently 3 rating agencies used, MC explained that the D&B is always the highest rating. The CDSP have continued to review the rating of agencies and had come to a view that the use of two agencies opposed to having three would be acceptable in the future.

SDw confirmed a review of the accrual calculation had been completed and had looked at the advantages and disadvantages of accruing using historical information to calculate on a daily basis. SDw reminded members of the definition of an accrual in the Credit Policy and Rules. To put this into context SDw provided the details of the exposure using March as an example, and provided a summary breakdown for General services, Specific services, Additional services and Third-Party contracts. A graph was also provided to show the total invoices due per month showing the Network split. Approximately 65% of income relates to Networks where no security is required. The aim of the graph was to show Xoserve are monitoring circa £1.9M to £2.2M debt monthly the majority of which is General Services (which has a smaller accrual period). SDw provided information on the values at risk for non-Network customers in March and provided a breakdown showing that just under 80% of the debt was in relation to 11% of customers. Additionally, SDw provided a pie chart of the exposure which illustrated that the majority of users (92%) are supported by a published credit rating by an approved rating agency, and that 6% have an exposure of less than £150.

SDw provided a summary of the advantages and disadvantages. She confirmed the CDSP have looked at the overall value at risk and explained that the CDSP have reviewed if the whole process is adding value and questioned the future management of exposure and calculating the potential risk on a daily basis.

SDw explained that there is a substantial amount of admin and analysis for little benefits not necessarily managing the risk whilst highlighting that all customers with a Published Rating are monitored on a daily basis and that Cash Collection processes are robust with excellent results and swift escalation via the DSC Credit Committee.

MC confirmed in summary that the CDSP are looking to remove or simplify the accrual processes, use the maximum unsecured credit limit, review the rating agencies used and amend the credit rules not policy. The Committee unanimously agreed this as suitable way forward.

MC suggested that the CDSP will review Credit Rules and bring back the suggested changes to the next suitable meeting.

Action 0502: DSC Credit Committee Credit Rules to be reviewed.

5. Plan for next 12 months

MC explained that the CDSP are looking to implement a new system, moving off National Grid systems, and will be undertaking a review of all the processes and review rules.

The committee discussed the frequency of meetings and agreed to continue meeting on a monthly basis. It was also suggested that the constitution of the Credit Committee is also considered by the DSC Contract Management Committee.

6. Any Other Business

None raised.

7. Diary Planning

Further details of planned meetings are available at:

<https://www.gasgovernance.co.uk/events-calendar/month>

Time / Date	Venue	Workgroup Programme
14:00 Monday 25 June 2018	Teleconference	Standard agenda items
14:00 Monday 23 July 2018	Teleconference	Standard agenda items

Action Table (as at 21 May 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0501	21/05/18	4.0	Xoserve to review and consider either using the maximum unsecured credit limit provided by a Published Rating Agency or setting a percentage tolerance level to allow more headroom for the calculation of Credit Limits.	CDSP (MC/SDw)	Pending
0502	21/05/18	4.0	DSC Credit Committee Credit Rules to be reviewed.	CDSP (MC/SDw)	Pending