

**UNC DSC Credit Committee Minutes**  
**Wednesday 24 February 2021**  
**via Microsoft Teams**

**Attendees**

Rebecca Hailes (Chair)	(RH)	Joint Office	Non-Voting
Mike Berrisford (Secretary)	(MiB)	Joint Office	Non-Voting
Samuel Lyons	(SL)	Wales & West Utilities	Non-Voting
Sue Davis	(SD)	Wales & West Utilities	Non-Voting

**Shipper User Representatives (Voting)**

Jane Morrison	(JM)	SSE
Oorlagh Chapman	(OC)	Centrica

**Transporter Representatives (Voting)**

Ian Clark	(IC)	Northern Gas Networks
Rebecca Cailes	(RC)	BBUK
Lorette Turner	(LT)	Cadent
Stephen Cross	(SC)	Scotia Gas Networks
Smitha Coughlan	(SCo)	Wales & West Utilities
Teresa Thompson	(TT)	National Grid NTS

**CDSP Credit Representatives (Non-Voting)**

Brendan Gill	(BG)	Xoserve
Sharon Bright	(SB)	Xoserve

Copies of all papers are available at: <http://www.gasgovernance.co.uk/dsc-credit/231120>

**1. Introduction**

Rebecca Hailes (RH) welcomed all representatives to the meeting.

**1.1. Apologies for absence**

None provided ahead of the meeting.

**1.2. Note of Alternates**

Sue Davies explained that Smitha Coughlan was in attendance and was now the Voting Member as she would be retiring in March 2021. Samuel Lyons was observing with a view to becoming the alternate Member.

**1.3. Quoracy Status**

RH confirmed the meeting was quorate.

**1.4. Approval of Minutes (23 November 2020)**

The minutes of the previous meeting were approved.

**1.5. Approval of Late Papers**

There were no late papers to consider.

**2. CDSP Operational Report**

## 2.1. CDSP cash collection update

Sharon Bright (SB) presented the DSC Credit Committee Operational Statistics, providing the monthly breakdown of the invoices due, the percentage breakdown of cash collected on the payment due date and cash collected +3 days:

Month	Invoices Due for Collection	Payment Due Date	Payment Due Date +3
November 2020	£8,596,051.66	99.77%	99.94%
December 2020	£8,611,236.23	99.66%	99.81%
January 2021	£8,643,120.99	99.18%	99.31%

SB confirmed there had been good collection rates for November, December 2020 and January 2021 at Payment Due Date.

SB said there were no concerns in terms of customer's ability to pay as a result of COVID-19 and there have been no signals that customers were having difficulties paying in the current climate and the position remains reasonably stable.

SB pointed out that the February, March, May and August 'reductions' reflect the fact that several large invoices had missed their respective 'due dates'.

Month	Failure to Pay Notices Issued	Value
November 2020	16	£14,414.29
December 2020	9	£17,578.64
January 2021	13	£15,931.79

When asked, SB confirmed that when compared to the previous 9 months' average, these values are slightly lower, supported by indications that there has been no significant difference since the start of the pandemic, which is good news.

## 2.2. CDSP security management update

SB provided an update on customer security:

- 1% of customers are unsecured with payments upfront / immediate payment terms;
- 88% of customers are unsecured and supported by a Published Credit rating, and
- 11% are secured – exposure underwritten by a third-party (e.g. a letter of credit or Parent Company Guarantee).

When asked whether the 'Debt' related information, contains data relating to the 'Green Network Energy Limited' matter, SB advised that it was not included in this current reporting period, but would be included within the next reporting period.

In reviewing the 'Debt Position' slide, attention was focused on the Locus and UPB debt retrieval options, during which SB advised that Xoserve remains hopeful of recovery of some of the outstanding monies and that discussions with the Administrators (Deloitte and PWC, respectively) are ongoing, although these can take years to complete. It was noted that it is believed that PWC are keen to close the UPB matter sooner, rather than later.

Moving on to consider the 'Securities' slide, SB pointed out that as far as the 3 (three) 'Immediate Payment Terms' customers are concerned, each party is hopeful of having suitable credit cover in place soon (i.e. Parent Cover Guarantee and / or Letter of Credit). Each party is present in this category because their current credit rating does not currently cover its invoicing exposure.

### Direct Debit Update

In reviewing the 5 (five) main bullet points, SB confirmed that 38 out of circa 394 customers have already responded and Xoserve is hopeful that the take up would increase over time, especially as a new promotion would take place at some point in the future.

In noting that matters surrounding the obtaining of 'wet signatures' from the Xoserve Board of Directors had elongated timescales, SB advised that Xoserve has also been working closely with Barclays Bank on the matter.

It was noted that trying to get a Direct Debit mechanism up and running during the current pandemic has proved difficult. Progress in this climate was an achievement.

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

SB provided a brief update noting that there were no invoicing issues reported during the quarter and there was a total of £1,867.97 in Late Paid Interest charges invoiced across the period.

### 2.4. Further Actions following failure notices

SB provided the quarterly data for the Failure to Pay Notices Issued, noting that all issues encountered were centred around administration errors.

## 3. CDSP Outstanding Debt Position

It was agreed that this item had been covered off during the discussions on item 2. (above).

## 4. Proposed changes to the DSC Credit Rules / Policy

Brendan Gill (BG) explained that the only changes to be undertaken would be to better reflect the new updates as defined with the *'Corporate Governance and Insolvency Act 2020 (CIGA) as detailed in the Any Other Business Section 7'* and the implementation of UNC Modification 0743S *'Revisions to User Termination Provisions'*, the Code changes for which are due to take effect as of 12 March 2021.

As a consequence, BG proposed the following:

- Xoserve would now propose an update to the DSC Credit Rules and issue to DSC Credit Committee Members for approval by the end of March 2021, with a view to setting the changes 'live' two (2) months later, and
- A 'walkthrough' meeting will be set up by Xoserve towards the middle - end of March 2021.

## 5. Review of Outstanding Actions

**Acton 0802:** Xoserve (BG) to include an 'avoidance of doubt' statement regarding the timing of when the debt is written off within the Credit Rules.

**Update:** When BG advised that the 'avoidance of doubt' statement would be added as part of the Credit Rules update exercise, it was agreed to carry forward the action. **Carried Forward**

**Acton 1101:** Xoserve (SB) to provide the customer security in value percentages as well as the customer percentages.

**Update:** It was agreed that this action had been completed. **Closed**

**Acton 1102:** Xoserve (SB) to produce a draft Deposit Deed document for the Committee Members to assess.

**Update:** SB advised that work had commenced on the document which would need to be reviewed by Xoserve lawyers in due course.

She now expects to be in a position to provide an update at the next meeting. **Carried Forward**

## 6. Key Messages

It was agreed that there are no 'Key Messages' for consideration at the meeting.

## 7. Any Other Business

### 7.1. Green Network Energy Limited Update

BG provided a brief overview of the *'Green Network Energy Limited'* presentation during which initial attention was focused around the timeline slide.

BG explained that Green Network Energy was a Shipper / Supplier that recently ceased trading on 31<sup>st</sup> January 2021 and led to the Transporters terminating the User from UNC on 9<sup>th</sup> February following licence revocation by Ofgem. Following Termination, Xoserve proceeded to invoke the Deed of Undertaking on the Supplier of Last Resort (SoLR) being EDF Energy in this instance.

When asked, BG agreed to undertake an action to provide an indication of the level of debt involved.

**New Action 0201:** *Reference Green Network Energy Limited – Xoserve (BG) to look to provide an indication of the relevant debt position.*

BG went on to explain that this customer failure had revealed several weaknesses in the termination process, the most notable being the impacts associated with a timing of revocation of the Shipper Licence influencing when the Transporters could terminate the User from UNC and therefore invoking the Deed of Undertaking to charge the Supplier both Energy and Transportation costs. BG highlighted that the insolvency act changes introduced in June 2020 now removes insolvency as being a trigger to terminate a User. Xoserve, the Transporters and Ofgem are looking to conduct a review of the process.

In considering whether the outstanding Shipper charges would be applied to Green Network Energy's Parent Company for resolution, BG agreed to undertake another action to confirm what DSC Charges are involved for setting security purposes.

**New Action 0202:** *Reference Green Network Energy Limited – Xoserve (BG) to look to confirm what DSC Charges are involved for setting security purposes.*

BG went on to advise that there are circa 300k Green Network Energy customers that would need moving over to the EDF portfolio which would obviously take time.

SB advised that the Green Network Energy Limited (monetary) values currently outstanding are as detailed below;

- Green Network Energy – Shipper £56,018.01, and
- Green Network Energy - Supplier - £1,433.67.

When asked to explain the potential difference between this Green Network Energy failure and the one associated with Locus, BG explained that in terms of the Locus failure, Locus took approximately 3 weeks to become insolvent allowing the Transporters to remove the User from the market quickly following an Energy default. In the case of Green Network Energy they became insolvent the day after they ceased trading preventing the Transporters from terminating the User (under the new insolvency law changes) until such time as Ofgem revoked the User's Shipper licence.

It was felt that the issues observed as part of the Green Network Energy failure highlight that Ofgem may have issues around an understanding of the Supplier / Shipper Licence Revocation requirements, especially the crucial timing aspects.

BG pointed out that this is the first failure to have taken place since the new Insolvency Rules came into effect, which has clearly had an impact.

It was agreed to add a new standing 'Terminations Update' agenda item for future meetings.

## 7.2. Wales & West Representative Retirement

In noting her impending retirement, RH thanked Sue Davis for all her hard work and commitment to the Credit Committee over her tenure.

## 8. Next Steps

It was noted that the proposed DSC Credit Rules changes would need to be reviewed before the next meeting in May.

## 9. Diary Planning

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Time / Date	Venue	Workgroup Programme
09:30 – 10:30 25 May 2021	Teleconference	Standard agenda items
09:30 – 10:30 24 August 2021	Teleconference	Standard agenda items
09:30 – 10:30 23 November 2021	Teleconference	Standard agenda items

**Action Table (as at 24 February 2021)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0802	17/08/20	3.0	Xoserve (BG) to include an 'avoidance of doubt' statement regarding the timing of when the debt is written off within the Credit Rules	Xoserve (BG)	<b>Carried Forward</b>
1101	23/11/20	2.2	Xoserve (SB) to provide the customer security in value percentages as well as the customer percentages	Xoserve (SB)	Update provided. <b>Closed</b>
1102	23/11/20	2.2	Xoserve (SB) to produce a draft Deposit Deed document for the Committee Members to assess.	Xoserve (SB)	<b>Carried Forward</b>
0201	24/02/21	7.1	<i>Reference Green Network Energy Limited</i> – Xoserve (BG) to look to provide an indication of the relevant debt position.	Xoserve (BG)	<b>Pending</b>
0202	24/02/21	7.1	<i>Reference Green Network Energy Limited</i> – Xoserve (BG) to look to confirm what DSC Charges are involved for setting security purposes.	Xoserve (BG)	<b>Pending</b>