

UNC DSC Credit Committee Minutes
Wednesday 23 February 2022
via Microsoft Teams

Attendees

Yvonne Reid-Healy (Chair)	(YRH)	Joint Office	Non-Voting
Maitrayee Bhowmick-Jewkes (Secretary)	(MBJ)	Joint Office	Non-Voting

Shipper User Representatives (Voting)

Dan Wilkinson	(DW)	EDF
Jane Morrison	(JM)	SSE
Kirsty Dudley	(KD)	E.On
Oorlagh Chapman	(OC)	Centrica
Steve Mulinganie	(SM)	Gazprom

Transporter Representatives (Voting)

Elisa Trout	(ET)	Northern Gas Networks
Kundai Matiringe	(KM)	BUUK
Howard Gormley	(HG)	Cadent
Samuel Lyons	(SM)	Wales & West Utilities
Stephen Cross	(SC)	SGN
Andrea Godden	(AG)	National Grid NTS

CDSP Credit Representatives (Non-Voting)

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

Copies of all papers are available at: <http://www.gasgovernance.co.uk/dsc-credit/230222>

1. Introduction

Yvonne Reid-Healy (YRH) welcomed all representatives to the meeting.

1.1. Apologies for absence

None.

1.2. Note of Alternates

Howard Gormley for Lorette Turner, Cadent

Andrea Godden for Richard Loukes, National Grid NTS

1.3. Quoracy Status

YRH confirmed the meeting was quorate.

1.4. Approval of Minutes (13 December 2022)

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.

Cash Collection:

Month	Invoices Due for Collection	Payment Due Date	Payment Due Date +3
November	£9,228,435.97	£8,821,435.12	£8,957,465.24
December	£9,141,865.97	£8,965,536.04	£8,974,776.00
January	£9,147,442.98	£8,936,400.81	£9,130,064.61

SB noted there had been a Dip in collection performance in November attributed to non-payment of DSC invoice from a user exiting the industry and a dip in January caused by large value invoices not being settled at payment due date, although payment was received by payment due date +3.

Failure to Pay:

SB confirmed there had been an increase in Failure to pay Notices being issued as a result of recent market volatility.

Month	Failure to Pay Notices Issued	Value
November	9	£407,000.85
December	14	£176,145.18
January	11	£210,432.07

2.2. CDSP security management update

Security:

SB provided an update on security, noting:

- No significant downgrades identified requiring action to be taken.
- Ongoing management of daily alerts to monitor any changes in customers credit ratings.

Debt:

SB noted:

- 16 users (11 suppliers 5 shippers) failed between November and January leaving a debt of £398,700.76.
- Debt over £1k pursued through administrators via proof of debt.
- Total DSC debt being pursued through administrators is £567,950.35

Escalation:

SB advised there were no escalations to the Committee in the last quarter.

Invoicing:

SB provided a brief update noting that there were no invoicing issues reported during this quarter and the total of in Late Paid Interest charges invoiced in November, December and January was £2,712.93.

2.3. Recently Failed Users

SB provided a brief overview of the recently failed Users, noting a number of these User's administrators have been contacted by Xoserve in order to recover the outstanding debts.

SB highlighted Contract Natural Gas (CNG) and CNG2 had the two highest outstanding debt amounts.

3. CDSP Outstanding Debt Position

SB presented the debt position over £1,000 between 2018-2022, noting the total DSC debt being pursued through administrators is £567,950.35.

Out of this, the debt accrued from failed Users in 2021 amounted to £432,143.19. SB advised, following her email to the Committee Members dated 14 February 2022, that further to consulting with Xoserve's Finance Team the debt for these customers will not be passed through to industry participants but instead will be absorbed into the Xoserve profit and loss. This has been achieved following additional third-party revenues which were above budgeted levels and one off HMRC Research and Development claims.

SB also highlighted that GB Energy Supply Limited was an older debt and the User had ceased trading in 2016 and an administrator had been appointed. A debt of £2,690.52 is currently outstanding for this User. SB had requested the Committee to approve the write off for this debt via email on 14 February 2022 and confirmed this has been received.

The Committee also reviewed a list of debts under £1,000 from failed Users in 2021, amounting to £5,247.06, and agreed to write them off.

4. Securities

SB provided an overview of Securities:

Type of Security	Number of Customers	Percentage	Financial Value
Unsecured – Services provided to customers supported by a published Credit rating from Graydons or Experian	355	91%	Total of invoices due in February £9,216,833.66 for customers using credit rating as security. Total credit rating for these 142 customers total £178,880,112.
Prepayment customers	28	7%	Payment is made before service is provided
Secured with a Letter of Credit or Parent Company Guarantee	8	1%	£230,591
Immediate Payment Terms	1	1%	February invoice value £2,144.16.

Jane Morrison (JM) asked whether it would be possible to look at the split in percentage of value at risk for the unsecured customers, at the lower end of credit rating, highlighting they would be most at risk to fail.

SB explained that the credit limits were monitored, and they changed daily therefore it was difficult to identify the customers who would be most at risk but agreed to review the information and produce something for the Committee at the next DSC Credit meeting.

New Action 0201: Xoserve (SB) to produce a list of unsecured customers with low credit rating and who are most at risk.

5. CNG Update

SB provided a brief update on CNG following its termination on 30 November 2021.

SB noted that two payments have been received since then:

- £118,926.23 received on 01 December 2021, and
- £148,411.73 received on 20 January 2022.

SB advised both payments were in respect of CNG's General Service charges, leaving the current position as:

- CNG exposure £361,851.33
- CNR exposure £16,226.69

6. Deed of Undertaking Update

Brendan Gill (BG) explained that the Committee will be provided with an update of Suppliers who will sign up to the new Deed of Undertaking.

YRH asked for further details on the numbers and was advised these numbers have been derived from the Xoserve Customer Life Cycle information.

BG noted that it would be up to the Suppliers on whether they wanted to sign a new Deed. BG added that under the current Life Cycle process, a Deed of Undertaking is already in place and a number of customers have already signed up to this Deed as well as the new Deed under Modification 0788.

7. Review of Outstanding Actions

Action 0503: Xoserve (BG) to liaise with the Xoserve customer lifecycle team regarding the IGT Deed of Understanding.

Update: This item was covered under Agenda item 6.0 and will remain a standard Agenda item.

Closed.

Action 1201: Xoserve (SB) to advise how the Failure to Pay Notices for failed Shippers will be neutralised across the industry.

Update: This item was covered under Agenda item 3.0, following Xoserve's email to the industry on 14 February 2022.

Closed.

Action 1202: Xoserve (SB) to write to the Committee for approval to accept the GB Energy's administrator's proposal for final offer of £2,136.20.

Update: This item was covered under Agenda item 3.0, following Xoserve's email to the industry on 14 February 2022.

Closed.

Action 1203: Xoserve (SB) to send list of historic outstanding debts to the Committee to review and decide on whether to write off or pursue, and for approval at the 2022 Q1 DSC Credit meeting.

Update: This item was covered under Agenda item 3.0.

Closed

Action 1204: Xoserve (SB) to clarify what is the payment requirement for Bulb whilst in special administration.

Update: SB noted this was being reviewed at the EBCC meeting, noting there were no concerns at this time as all the invoices are being settled on time. BG added that Xoserve are closely working with Teneo, who are the administrators for Bulb and there were no issues at present.

Closed.

Action 1205: Xoserve (SB) to circulate the draft Deposit Deed document to the Committee Members in January for approval at the Q4 Q2 DSC Credit meeting.

Update: BG advised Xoserve's legal team are currently reviewing this and looking to develop a Deposit Deed for the CDSP contracts. Currently this is still in development with the expectation to share it with the Committee at the Q2 Committee meeting. Action 1205 amended to reflect this.

Carried Forward.

8. Key Messages

It was agreed that there are no 'Key Messages' for dissemination following this meeting.

9. Any Other Business

None.

10. Diary Planning

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

Time / Date	Venue	Workgroup Programme
Wednesday 25 May 2022, 10:00 am	Teleconference	Standard agenda items

Action Table (as at 23 February 2022)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Due Date	Status Update
0503	25/05/21	7.3	Xoserve (BG) to liaise with the Xoserve customer lifecycle team regarding the IGT Deed of Understanding.	Xoserve (SB)	15/12/21	Closed
1201	13/12/2021	2.1	Xoserve (SB) to advise how the Failure to Pay Notices for failed Shippers will be neutralised across the industry.	Xoserve (SB)	17/12/21	Closed
1202	13/12/2021	3.0	Xoserve (SB) to write to the Committee for approval to accept the GB Energy's administrator's proposal for final offer of £2,136.20.	Xoserve (SB)	January 2022	Closed
1203	13/12/2021	3.0	Xoserve (SB) to send list of historic outstanding debts to the Committee to review and decide on whether to write off or pursue, and for approval at the 2022 Q1 DSC Credit meeting.	Xoserve (SB)	January 2022	Closed
1204	13/12/2021	3.0	Xoserve (SB) to clarify what is the payment requirement for Bulb whilst in special administration.	Xoserve (SB)	January 2022	Closed
1205	13/12/2021	5.0	Xoserve (SB) to circulate the draft Deposit Deed document to the Committee Members for approval at the Q2 DSC Credit meeting.	Xoserve (SB)	May 2022	Carried Forward
0201	23/02/2022	4.0	Xoserve (SB) to produce a list of unsecured customers with low credit rating and who are most at risk.	Xoserve (SB)	May 2022	Pending