

**DSC Credit Committee Minutes**  
**Thursday 16<sup>th</sup> February 2017**

**Xoserve Offices, Landsdowne Gate, 65 New Road, Solihull, B91 3DL**  
**10.30 – 15.00**

**Attendees:**

Ian Clark	(IC)	Northern Gas Networks
John Burke	(JB)	National Grid Distribution
Sue Davies	(SD)	Wales & West Utilities Ltd
Paul Whitton	(PW)	Scotia Gas Networks
Sean McGoldrick	(SM)	National Grid NTS
Adam Lane	(AL)	Centrica Energy Markets & Trading
Colette Baldwin	(CB)	E.ON
James Hill	(JH)	EDF
Pauline Babb	(PB)	SSE
Mark Cockayne	(MC)	Xoserve
Sandra Dworkin	(SMD)	Xoserve
Monali Kale	(MK)	Xoserve

1. **Introductions** Everyone introduced themselves and gave a brief overview of their roles. MC outlined that the purpose of today's meeting was to establish the Data Services Contract (DSC) Credit Committee and ratify the Data Services Contract (DSC) Credit Rules.
2. **Committee Transition** MC confirmed that at the FGO/UNC 0565 meeting in January, a pragmatic approach was agreed to enable the DSC Credit Committee to be established with an initial population of members from the Energy Balancing Credit Committee (EBCC) and from Transporters in the absence of a formal process. He explained that the DSC Credit Committee had been established on an interim basis in order to facilitate the credit activities that need to be completed prior to 1<sup>st</sup> April. The formal process that will follow states that the DSC Credit Committee will be established by the Contract Management Committee. If no sub-committee is established, effectively the Contract Management Committee will be responsible for the role.

**Timings**

- 16.2.17 Contract Management Committee selections potentially agreed at UNCC
  - March (TBC) formal Contract Management Committee meeting and Credit Committee formally established
  - JO to write out to SPOCS for industry nominations, process will be short tracked, possibly around 10 Days.
3. **Timeline** MC gave a brief overview of the FGO timings:
    - 19 January 2017 -Ofgem approved UNC Modification 0565A
    - 27 January - DSC issued
    - 31 January - Annual Charging Statement issued

- 10 February - Customer Charge Information issued for General Services
- 10-16 February - Customers contacted if estimated charge greater than unsecured value to highlight potential security requirement
- 16 February - DSC Credit Committee & Credit Rules ratified
- 21 February – Customers to submit Specific Services and Additional Services Requests,
- 1 April – Xoserve cease to be GT’s agent and appointment as CDSP becomes effective. All DSC & UUA contracts signed and operational

MC confirmed Xoserve were contacting all DSC parties who potentially required security by the end of this week, and that all parties would receive confirmation of their unsecured credit limit. MC highlighted the short timescales involved and confirmed that where it was identified that security was required this would need to be in place by **7 March 2017**. SMD confirmed that the DSC User Guidance Document in respect of Invoicing and Credit Management Arrangements had been issued requesting a response from 1<sup>st</sup> February. The document requests SPOC’s to provide Credit and Invoicing contacts as well as bank account information. If not provided the Credit Team will contact SPOC’s in the first instance when discussing credit arrangements.

#### 4. **Roles and Responsibilities**

The role of the Committee is to assist the CDSP in connection with the management of credit risk to the CDSP, working together to protect all parties to the contract from exposure to avoidable financial loss.

The Functions of the Committee are detailed in Section 2.12 of the Credit Policy, and how the meetings will operate in Section 2.2.

It should be noted that meetings of the Committee are not open to attendance by persons other than the Committee Representatives and the Credit Representatives of the CDSP however a Customer representative may be invited to the meeting to discuss a particular matter.

MC went on to discuss the requirement for a Confidentiality Agreement and paper copy was issued for members for information.

Action: SMD to issue via email and request signed copy.

#### 5. **Credit Issues to be Tabled** Prior to looking at the DSC Credit Rules in detail MC highlighted some of the issues that had already been raised by DSC parties in respect of credit, in particular regarding Credit Rating Agencies and Independent Ratings.

MC confirmed that currently Xoserve use Moodys and Standard & Poors for the rating of Financial Institutions and Sovereigns, and Graydons for DSC parties.

After discussion by the group regarding the cost of the services that could be provided, the types of rating agencies available and the type of service they provided, the materiality of the risk being managed and the effect these credit facilities would have on all types of customer the following actions were agreed:

- To exclude the Gas Transporters from the requirement to provide security - following much discussion members agreed that due to the unique nature

of the Gas Transporters licence requirements introduced in the funding model, and acknowledging the ESC administration provisions introduced in the Energy Act 2011, that the risk presented was negligible. Note this does not include Independent Gas Transporters. SMD to ensure the Gas Transporters are notified and the FGO project updated.

- To NOT pursue Independent Credit Ratings for Customers at this time.
- To explore the use of 3 credit rating agencies rather than 1. It was agreed that Xoserve would contact D&B and Experian to get costing and service details.
- Interim arrangements for the use of 3 credit rating agencies agreed. If a customer preferred the use of another Rating Agency to Graydons either the customer could provide a copy of the report or Xoserve would pursue reports on a one off basis. It was agreed that D&B and Experian reports would be acceptable if not using Graydon's. However it was requested that consistency is shown across all agencies regarding interpretation of credit limits. Reports to be looked at next meeting.

The types of security available were discussed, in particular Non Registrable Deposit Deed, and the following actions were agreed:

- To remove the Non Registrable Deposit Deed as a form of security from the DSC Credit Rules
- To investigate including a Registrable Deposit Deed as an alternative
- To pursue pre-payment as an option

6. **Credit Rules Page Turner** MC provided an amended draft of the DSC Credit and Members looked at the DSC Credit Rules in detail on a page by page basis.

7. **Summary of Changes**

Formatting issues to be addressed

Definition of 'customer' to be clear

Glossary to be added

Terminology regarding naming of committees to be clear and consistent

Membership role over to be added

Customer type to be specific

Governance structure to be amended

Rewording of paragraphs

Deletion of some paragraphs

Clarification of total gross indebtedness

Security types amended

Rating Agency references to be amended

Amendment to the indebtedness percentage from 85% to 80% to trigger notice

Removal of the reference to reduce indebtedness below 70%, replace with reduce exposure

MC collated all the details for change and confirmed a version would be issued very shortly for members to agree.

8. **Management Information**

### **Credit Policy Requirements – Ongoing Operational Reporting**

- CDSP cash collection and cash management activities;
- The form and value of surety and security provided by Customers to CDSP; and
- Any breach of a DSC Credit Limit, and any late or non-payment of CDSP Charges by a Customer

### **Transitional Update**

- Total no of DSC & UUA parties – 187, the breakdown by customer type was discussed and recognition that some categories would amend slightly once all contracts signed.
- Total no of DSC & UUA parties that require security – 44 however this figure will change following the decisions made today
- Estimated value of security required was discussed, however following changes to DSC rules this value will reduce.

### **9. AOB**

Timing of the next meeting was briefly discussed, it is anticipated that there may be a requirement for a further meeting prior to 1<sup>st</sup> April.