



**DSC Credit Committee
Covid-19 Update
22 April 2020**

Summary of observations over last 4 weeks

- Customers appear to be operating well with their BCM arrangements during Covid-19.
- Through our ongoing engagement with customers leading up to payment due date, **no** customer has indicated that they will be unable to pay their CDSP invoices.
- **2** customers have questioned whether late payment charges should be incurred during Covid-19 with one customer highlighting that their revenues have decreased by 50-80% during Covid-19 as gas demand has fallen.
- Bank cut off times for payments have changed during Covid-19 which could see an increase of late payments.
- 77 General Service Invoices due for payment on 16/04/2020 with a value of £7,553,586.30. 5 customers did not pay on time relating to £3,974.40 (99.95% of payments received by Payment Due Date)
- 22/04 is payment due date for Specific Services (176 invoices equating to £363,028.74). 16 invoices outstanding at time of meeting. No concerns around payment identified.
- We continue to monitor customers using Graydons, D&B and Experian but don't see an increase in downgrades or companies moving to a high risk status. Additional reporting is being considered through Graydons which includes Covid-19 data (geographical spread, contagion areas, sector risk, government policy data) along with risk and predictive analysis.

Discussion Points for DSC Credit Committee

- Do the committee need to agree an approach for how we handle any increase in late payments or breaches as a result of Covid-19?
- Should we escalate to the committee in the normal manner?
- Where a customer or customers are struggling is there anything, we can do to support them when referred to the committee due to late payment?
- Should the committee meetings be held more frequently during this period (rather than the current quarterly basis) or would a regular update be preferred with the option then to hold a meeting if there is anything of concern?
- Is there is anything else that the committee believe Xoserve should consider or look to implement during Covid-19?

So what options are available DSC Services ?

Invoices	Contract	Monthly Value	Xoserve's remit	Decision Maker	Options available
DSC General services (Inc Late Payment interest)	DSC	Circa £7.5m <i>mean average Jan –Apr 20</i>	Production of invoices ,collection of associated revenue and representation at the DSCCC	Members of the DSCCC as representative of the gas industry DSCCC powers are set out in the DSC Credit Policy. A DSC user default becomes a trigger for termination under UNC covered in section V4.3.1(H) but would be subject to the usual rules (debt greater than 10K under contract 100k under the utilities act so would be highly unlikely anything other than a DN failure would in reality trigger)	<p>Amend the invoice schedule, DSC T's& C's outline that invoices are issued by the 30th of the month following the billing period. These invoices could be moved to be issued the last working day of the month. Benefit would only be felt in the 1st monthly cycle.* Risk</p> <p>Amendment of section 5.2 DSC T's & C's Payment terms from 20days could be progressed, this would require modification and is unlikely to meet the criteria for urgent status , further Xoserve cannot raise a mod so would need a sponsor, as with transportation either transitional arrangements would need to be included to move back to current arrangements</p> <p>Change nothing let the process follow its natural coarse, all debts less than 10K are effectively bound by the Transportation or Energy Balancing default under V4.3 (h) termination provisions. Although the committee could instruct Xoserve to suspend services.</p> <p>Suspend the issue of late payment interest charges, time period to be agreed with the DSCCC (<i>note charges are often greater than original invoice value due to the inclusion of admin charges</i>)</p>
Specific Services (Inc Late Payment interest)	DSC	Circa £320K <i>mean average Jan – Apr 20</i>	As above	As above	As above
Additional third party services (Inc Late Payment interest)	DSC	Circa 75K <i>mean average Jan –Apr 20</i>	As above	As above	As above

* We haven't had an opportunity to assess the full viability from a technical perspective.

Next Steps

- Is there anything that we should do today following the information that you have received in terms of changes to our processes?
- A joined DSC Contract Management and DSC Credit Committee maybe scheduled for w/c 27 April in order to discuss Covid-19 if any proposed changes are being considered by DSC Credit Committee.
- Xoserve will continue to escalate to the DSC Credit Committee any concerns in line with the DSC Credit Rules.
- Next DSC Credit Meeting scheduled for Monday 18th May where a further update will be provided.