

## Extra-Ordinary DSC Credit Committee Minutes

Wednesday 22<sup>nd</sup> April 2020 at 11:00

Via Skype

### Attendees

|                      |      |          |                           |
|----------------------|------|----------|---------------------------|
| Brendan Gill - Chair | (BG) | CDSP     | Non Voting                |
| Sat Kalsi            | (SK) | CDSP     | Non Voting                |
| James Hutton         | (JH) | EON      | Shipper Voting Member     |
| Jane Morrison        | (JM) | SSE      | Shipper Voting Member     |
| Lorette Turner       | (LT) | Cadent   | Transporter Voting Member |
| Stephen Cross        | (SC) | SGN      | Transporter Voting Member |
| Sue Davies           | (SD) | WWU      | Transporter Voting Member |
| Theresa Thompson     | (TT) | Nat Grid | Transporter Voting Member |
| Hari Williams        | (HW) | Nat Grid | Observer                  |
| Sharon Texeira       | (ST) | Cadent   | Observer                  |

### Apologies

|           |      |     |                           |
|-----------|------|-----|---------------------------|
| Ian Clark | (IC) | NGN | Transporter Voting Member |
|-----------|------|-----|---------------------------|

#### 1. Introduction

Brendan Gill (BG) welcomed everyone to the extra-ordinary meeting and confirmed that the meeting was quorate. BG advised that the meeting had been called as a result of Covid-19 for the CDSP to share with the committee its observations over the previous four weeks and to advise the committee of its available options should it wish to take any action. Sat Kalsi (SK) highlighted that as a result of Covid-19 a number of UNC modifications had already been proposed in an effort to support customers during this period.

#### 2. Summary of Observations over previous 4 weeks

BG advised that following lockdown, customers were working well and appear to have clear BCM plans in place to ensure as near normal operation as possible. As part of the cash collection process, the CDSP engage with customers leading up to payment due date and had increased their engagement leading up to payment due date. At the time of the meeting, no customer had indicated that they were unable to pay a CDSP invoice. BG highlighted that two customers had questioned whether late payment charges should be incurred during Covid-19 with one customer advising that their revenues had decreased by 50-80% as gas demand had fallen. Cut off times for bank payment had also changed as a result of Covid-19 which could see an increase in the number of customers paying their invoices late. BG reported that in terms of Cash Collection the General Services invoice that was due for collection on 16/4/20 (77 invoices equating to £7,553,586.30) had seen a 99.95% cash collection rate by payment due date. 176 Specific Service invoices were due for collection on 22/04 equating to £363,028.74 with only 16 outstanding at the time of the meeting. Again, no concerns had been made by customers around their ability to pay. The CDSP use Graydons, D&B and Experian to monitor the credit worthiness of its customers but had not seen an increase in downgrades or companies moving to a high-risk status. Additional reporting is being considered by the CDSP through

Graydons which along with risk and predictive analysis will also provide Covid-19 data such as sector risk and government policy data.

### **3. Options Available**

The first option explored with the committee was whether the invoicing schedule should be adjusted so that invoices are issued on the last working day of the month. Under the DSC Terms and Conditions, invoices are issued by the 30<sup>th</sup> of the month following the billing period. The only benefit with this option would only be felt on the 1<sup>st</sup> monthly cycle. The second option explored would be to extend the payment terms from 20 days. The payment terms are defined in DSC Terms and Conditions which would require a modification raised by the industry if this were to be changed. The third option discussed was to do nothing and continue to follow the normal process if a customer fails to pay or does not place security in line with the DSC. The final option discussed was to suspend the issue of late payment charges. Following the outlining of the options Sue Davies (SD) commented that all customers should have BCM plans in place and that late payment charges should continue as an incentive to encourage prompt payment. The committee members were supportive of this approach. The committee members also viewed that changing the existing processes could mask signals of a company's financial strain and that they would rather the standard process of escalating issues to the committee is followed where each case can be assessed on a case by case basis. James Hutton (JH) commented that as Covid-19 continues companies are likely to experience cash flow issues and that the options presented would not cushion their cash flow issues. Jane Morrison (JM) commented that by bringing each case to the committee the members have visibility of late payers and the impact could be fully assessed. All committee members agreed that this is the approach that the CDSP should take and that there were no additional options that the CDSP should take into consideration.

### **4. Summary of next steps**

BG and SK summarised the decision of the committee that normal processes will continue in line with the DSC and that customers will be assessed on a case by case basis if escalated to the committee. The next scheduled DSC Credit Committee is scheduled for Monday 18<sup>th</sup> May however, agreement was made that should the need arise, a further extra-ordinary meeting could be held with less than the defined 36hours notice period given. SK agreed with committee members that their decision would be shared with the DSC Contract Management Committee who may wish to discuss the issue of Covid-19 further with the DSC Credit Committee should the need arise.

The slide deck shared with the committee is available on the Joint Office Website.