

UNC DSC Credit Committee Minutes
Monday 23 November 2020
via Teleconference

Attendees

Lorraine O'Shaughnessy (Chair)	(LOS)	Joint Office	Non-Voting
Karen Visgarda (Secretary)	(KV)	Joint Office	Non-Voting
Sharon Bright	(SB)	CDSP	Non-Voting

Shipper Representatives (Voting)

Jane Morrison	(JM)	SSE
Joanna Bulley	(JB)	E.ON
Oorlagh Chapman	(OC)	Centrica

Transporter Representatives (Voting)

Ian Clark	(IC)	Northern Gas Networks
Rebecca Cailes	(RC)	BBUK
Lorette Turner	(LT)	Cadent
Sue Davies	(SDa)	WWU
Richard Loakes	(RL)	National Grid

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

1. Introduction and Status Review

Lorraine O'Shaughnessy (LOS) welcomed all representatives and confirmed the meeting was quorate.

1.1. Apologies for absence

Brendan Gill from Xoserve

Teresa Thompson from National Grid

Stephen Cross from SGN

1.2. Note of Alternates

Sue Davies explained that Smitha Coughlan was in attendance as Sue would be retiring in March 2021.

Joanna Bulley explained that James Hutton was in attendance as she would be going on maternity leave in February 2021.

1.3. Approval of Minutes (17 August 2020)

The minutes were then approved.

1.4. Approval of Late Papers

LOS explained that there had been couple of late papers submitted by Sharon Bright (SB) regarding the Corporate Governance and Insolvency Act 2020 ('CIGA'), which SB would be drawing attention to later in the meeting. All agreed to accept this paper.

1.5. Review of outstanding actions

0502: All DSC Credit Representatives to provide Xoserve/CDSP feedback on the proposed changes to the Credit Rules.

Update: LOS explained that Brendan Gill (BG) had provided an update in August 2020 following feedback from Members and that this action would be closed as it was referred to within section 4 below. LOS added that the Corporate Governance and Insolvency Act 2020 ('CIGA') area needed to be investigated further in relation to the Credit Rules. **Closed.**

Action 0801: Xoserve (SB) any on-going late payment issues need to be discussed in an extraordinary DSC Credit Committee meeting.

Update: LOS noted this area had been previously discussed and was viewed as Business as Usual (BAU) and so this action could be closed. **Closed**

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: Sharon Bright (SB) said that this area was being further explored in relation to the Corporate Governance and Insolvency Act 2020 ('CIGA') and the Credit Rules and so this action should be carried forward. **Carried forward**

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
August 2020	£7,435,162.84	86.27%	86.61%
September 2020	£8,429,477.47	97.95%	99.87%
October 2020	£8,620,880.02	99.40%	99.55%

SB confirmed there had been good collection rates for August, September and October at Payment Due Date, and 100% had been achieved for the collection of General Services in October 2020.

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 was stable.

Month	Failure to Pay Notices Issued	Value
August 2020	12	£1,137,516.51
September 2020	26	£348,728.03
October 2020	16	£3,064.87

2.2. CDSP security management update

SB provided an update on customer security:

- 1% of customers are unsecured with payments upfront and revised payment term
- 96% of customers are unsecured- supported by a Published Credit rating.
- 3% are secured – exposure underwritten by a third-party (e.g. a letter of credit or Parent Company Guarantee)

Sue Davies (SDa) asked if the percentages were regarding customers and SB confirmed this was correct, SDa then asked if the value percentages could be included as she felt that would provide more detail. SB agreed that this information would be included moving forward.

New Action 1101: Xoserve (SB) to provide the customer security in value percentages as well as the customer percentages

SB that the D&B service would cease at the end of November and all users had now moved to Graydon's or Experian credit rating, and the whole process had been fully communicated with all users prior to this change. SB added that any customers who did not meet the required rating had been requested to place alternative security in the form of a Letter of Credit or Parent Cover Guarantee. SB noted that during this process a few requests had been received to lodge a cash deposit as an alternative to a Letter of Credit or Parent Cover Guarantee and she said there was presently no provision to this for customers, and there had been two in total who were unable to provide a Letter of Credit or Parent Cover Guarantee and they had been placed on immediate payment terms. Jane Morrison (JM) and Sue Davies (SD) both agreed this was a good idea and should be made available as soon as possible, and SB agreed to produce a draft proposed Deposit Deed document to share with the Committee Members.

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

2.3. 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

SB provided an overview of the Failed Customers spreadsheet, and she drew attention to specific suppliers and explained the total value outstanding with Administrators was £57,408.62, and the overall total was £103,569.48. She noted that one party had been terminated from the Uniform Network Code (UNC) on 09 October and an Administrator had recently been appointed to pursue the debt.

SB also updated that notification had been received from an administrator that a debt of £1,651.39 was due to be settled in full,

SB said regarding the Debt under £1,000, that the unrecoverable debt written off amount was £2,870.34

Direct Debit

SB said that in July 2020 an email had been sent to ascertain the appetite for Direct Debits as a method of paying invoices. She explained that 38 customers had noted their interest in setting up a DSC invoicing process, however the procedure was taking longer than expected due to the need for wet signatures from the Xoserve's Board of Directors. She added that Xoserve had passed the credit rating with Barclays Bank and so the Direct Debit process had been sanctioned, and she advised the target date for completion is the end of 2020.

4. Any Proposed Changes to the DSC Credit Rules/Policy?

Corporate Governance and Insolvency Act 2020 (CIGA)

SB explained that due to new legislation the DSC Credit Rules would now be updated following the changes as defined with the 'Corporate Governance and Insolvency Act 2020 (CIGA) as detailed in the Any Other Business Section 7.

A new piece of legislation has been enacted from 26 June 2020 called the Corporate Governance and Insolvency Act 2020 ('CIGA') and that this legislation affects Transporters' rights to terminate a shipper under the UNC. Whilst the CIGA was brought in quickly (as it contains some Covid19 related measures) the relevant change that directly has the above effect is permanent.

The operative provision of CIGA is section 14:

<https://www.legislation.gov.uk/ukpga/2020/12/section/14/enacted>

Under UNC TPD V4.3.1 Transporters can deem a Shipper to be in a “User Default” and terminate the User if the User has an administrator or receiver appointed. However, the CIGA provisions make ineffective any contractual right suppliers may have to terminate contracts if their customers enter into an insolvency process. The direct impact for the UNC is that the CIGA takes away that right from the Gas Transporters, meaning Gas Transporters must continue to supply services to a User who has gone into administration.

SB explained that Modification 0743 - Revisions to User Termination Provisions had therefore been raised by National Grid on 06 November 2020 to look at changes to the UNC in light of the change in legislation. SB drew attention the proposed text as detailed below:

UNC TPD V4.3 Proposed Text

4.3 Termination

Amend paragraph V4.3.1(e) as follows:

“(e) save if and to the extent the provisions of section 233B of the Insolvency Act 1986 apply, where:

Amend paragraph V4.3.3 as follows:

“Upon the occurrence of a User Default, and at any time after such occurrence at which the User Default is continuing the Transporter may (subject to the provisions of section 233B of the Insolvency Act 1986) give notice (“Termination Notice”) to the Defaulting User to the effect that the User shall cease to be a User of or in relation to its System(s) with effect from the date (which may be any date on or after the date on which the notice is given) specified in the notice.”

Amend paragraph V4.3.5(b) as follows:

“(b) (subject to the provisions of section 233B of the Insolvency Act 1986) the receiver, administrator, trustee-in-bankruptcy or foreign insolvency practitioner (as appropriate) fails to provide adequate assurances to National Grid NTS in compliance with the principles established in Section X and the Energy Balancing Credit Rules (such assurances not to exceed a legal and binding commitment by the receiver, administrator, trustee-in-bankruptcy or foreign insolvency practitioner (as appropriate), to pay to National Grid NTS all Energy Balancing Debt accruing from (and including) the date of appointment of the receiver, administrator, trustee-in-bankruptcy or foreign insolvency practitioner (as appropriate), as soon as reasonably practicable after being appointed (but for the avoidance of doubt not within two Business Days of its appointment).”

‘save if and to the extent the provisions of section 233B of the Insolvency Act 1986 apply’

SB explained under the legislation the CDSP must continue to supply services to a User who has gone into administration therefore both the Credit Policy and the Credit Rules would be updated to reflect the new legislation. She added that the Xoserve approach was to use similar workings to that applied to Modification 0743S.

Credit Policy

SB said regard the Credit Policy, that the proposal was to make reference to the legislation in Section 4 of the DSC Credit Policy relating to failure to make payment of CDSP Invoices and remedial action – suspension of services.

Credit Rules

SB said likewise concerning the Credit Rules, that the proposal was to make reference to the legislation in Section 7 of the DSC Credit Rules relating to the appointment of an Insolvency Practitioner and the suspension of services.

SB confirmed that the appropriate draft versions showing the updated policy and rules following the reference to the change in legislation would be circulated to Committee Members for approval in due course. She noted that these would not be confirmed until the implementation Modification 0743.

LOS said that in relation to the new Modification 0743S - Revisions to User Termination Provisions, this was raised at the November Modification Panel, and would subsequently be discussed within the Transmission Workgroup, on 03 December 2020, should any Committee Members want to attend the meeting.

5. Operational Pack – Format/Style/Content

No comments made in relation to the Operational Pack.

6. Key Messages

LOS provided the new proposed 2021 meeting dates as detail below and all Committee Members noted and agreed these dates.

- 24 February 2021
- 25 May 2021
- 24 August 2021
- 23 November 2021

LOS the advised there we no additional key messages for discussion.

7. Any Other Business

None.

8. 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 24 February 2021	Teleconference	Standard agenda items
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 23 November 2020)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0502	18/05/20	7.3	All DSC Credit Representatives to provide Xoserve/CDSP feedback on the proposed changes to the Credit Rules.	All	Closed
0801	17/08/20	2.3	Xoserve (SB) any on-going late payment issues need to be discussed in an extraordinary DSC Credit Committee meeting.	Xoserve (SB)	Closed
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)	Carried forward
1101	23/11/20	2.2	Xoserve (SB) to provide the customer security in value percentages as well as the customer percentages	Xoserve (SB)	Pending
1102	23/11/20	2.2	Xoserve (SB) to produce a draft Deposit Deed document for the Committee Members to assess.	Xoserve (SB)	Pending