

## UNC DSC Credit Committee Minutes

### Monday 30 October 2017

**Xoserve Limited, Lansdowne Gate, 65 New Road, Solihull, B91 3DL**

#### Attendees

Bob Fletcher (Chair)	(BF)	Joint Office	Non-Voting
Helen Cuin (Secretary)	(HCu)	Joint Office	Non-Voting
Adam Lane	(AL)	Shipper	Voting Member
James Hill	(JH)	Shipper	Voting Member
Joanna Ferguson	(JF)	Transporter	Voting Member Alternate
John Burke	(JB)	Transporter	Voting Member
Mark Cockayne	(MC)	CDSP	Non-Voting
Paul Whitton	(PW)	Transporter	Voting Member
Pauline Babb	(PB)	Shipper	Voting Member
Phil Lucas	(PL)	Transporter	Voting Member
Sallyann Blackett	(SB)	Shipper	Voting Member Alternate
Sandra Dworkin	(SDw)	CDSP	Non-Voting
Sue Davies	(SDa)	Transporter	Voting Member

#### Apologies

Ian Clark	(IC)	Transporter	Voting Member
Laura Dawson	(LD)	Shipper	Voting Member
Thomas Butler	(TB)	Transporter	Voting Member

Copies of all papers are available at: <https://www.gasgovernance.co.uk/dsc-credit/301017>

#### 1. Introduction and Status Review

BF welcomed the members to the meeting, which was quorate.

##### 1.1. Apologies for absence

See above table.

##### 1.2. Note of Alternates

Sallyann Blackett for Laura Dawson; and Joanna Ferguson for Ian Clark.

##### 1.3. Approval of Minutes (25 September 2017)

The minutes were approved.

##### 1.4. Review of Outstanding Actions

**Action 0701:** MC to review, investigate and report back to the committee the credit rating for Baa

**Update:** MC had explained at last month's meeting that a presentation was made to the EBCC in April showing analysis that there was a good spread of financial institutions and there was no driver to accept Baa credit ratings at that time, and that following changes to the ratings tables he would provide a further update at the next meeting.

MC clarified that currently there are no forms of security underwritten by a financial institution for the Data Services Contract. MC reported that a further piece of work had been undertaken for the EBCC to look at the different approach Moody's is taking. He explained that Moody's IGR Long Term Financial Rating ceased in June 2017 and they had introduced a Counterparty Risk Assessment (CRA) it measures default probability rather than expected loss and following discussion with Moody's analysts it is considered the most suitable metric to measure the

default probability. SD enquired about investment grade ratings and the use of Financial Institutions (FIs). MC confirmed only FIs are used. Members agreed to close the action.  
**Closed.**

## 2. **Approve changes to the DSC Credit Rules / DSC Security**

SD confirmed that this was a standing item to keep a watching brief. No changes this month.

## 3. **CDSP Operational Report**

### 3.1. **CDSP Cash Collection Update**

SD provided an update on the cash collection

#### **September**

99.46% at payment due date.

99.58% at payment due date plus 3.

SDw confirmed there were 18 Failure to Pay Invoice Notices this month, mainly associated with User administrative issues, for example setting up payments, timings, payment runs, wrong dates input. The total value was circa £45k and the longest period taken to pay was 6 days. However, all invoices were paid in full.

SDa asked if these, were seen to be settling in issues. SDw explained the Operational Update presentation provided further information on regular late payers.

#### **Late Payment Analysis**

SDw presented late payment analysis since the implementation of FGO. SDw confirmed there had been 871 invoices issued for a value of £40,789,286 out of which there had been 69 late payments equating to a value of £248,954 all of which had been paid in full. A further breakdown was provided relating to the services these related to. The information revealed that Third Party contracts had the smallest revenue but the largest invoicing and cash collection issues. SD pointed out that some Third Party DE contracts were less than £5 a month. SDw also highlighted that that of the 69 customers that had paid late, 33 late payments had hit the trigger for escalation to the DSC Credit Committee. MC expressed that he was not particularly concerned about the number later payments as work is being undertaken to ensure payment, and the rules are driving the right behaviours.

MC asked the Committee about the number of referrals, and if members were comfortable with the reporting provided by Xoserve. There was a general consensus that the number and timing of referrals was suitable. The committee members also agreed that they would be happy to wait a couple of days to receive the referrals only if by a few days.

SD went on to explain that 9 customers had paid late on more than one occasion. SDw confirmed that Xoserve are liaising with commercial and customer contacts, to actively work with the third-party customers, to improve payment performance. However, she emphasised that the later payments are lower valued invoices, some less than £5 a month and that there may be options to consider consolidating payments such as annually.

The committee considered the options of parties incurring Late Payment Charges and the available DSC Remedial Steps. MC suggested that the late payment charges would make it more visible within organisations that they are paying late and incurring additional charges for this, which might encourage better payment. It was suggested this should be enacted periodically rather than monthly.

SDw asked how the Credit Committee wanted to manage remedial actions.. SDw confirmed that it would take 5 days to enact a stop on the provision of services. She also clarified that there is a charge to stop and re-enact the service for some contracts. MC suggested a pragmatic approach should be taken, which members agreed to.

SDw provided a final slide reporting the Current Outstanding Debt. This provided the breakdown of debt owed by 3 parties and the missed payment date. SDw confirmed Xoserve would provide the DSC Credit Committee members an update.

### 3.2. Security Management Update

Currently the majority (86%) of customer are unsecured but are supported by a published credit rating by an approved rating agency. 12% are not supported by a published credit rating but the estimated exposure is less than £150 for each customer. 2% of customers are supported by a Parent Company Guarantee. Currently there are no customers who are supported with a Letter of Credit.

### 3.3. Breach of a DSC Credit Limit, late or non-payment of CDSP Charges

No additional update.

### 3.4. Further Actions following failure notices

None.

## 4. Any Other Business

None raised.

### 4.1. Meeting dates / times

SDw wished to propose a change in meeting times / dates. SDw initially enquired if meetings could be moved to Tuesday or Wednesday, or agree a later start time on Mondays. It was agreed to keep the dates but move the meeting start to 2pm with EBCC starting at 2:30pm

### 4.2. General Service Agreement – SAP system Support

MC confirmed that Xoserve's General Services agreement with National Grid expires in 2018. Xoserve will no longer be utilising National Grid contracted support for the provision of SAP. Essentially Xoserve will be replacing billing and ledger systems. The result will benefit Xoserve with more system control enabling improved system reporting, better facilities for exposure monitoring, and potentially improved billing efficiencies.

## 5. Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

Time/Date	Venue
14:00 Monday 27 November 2017	Teleconference
14:00 Monday 18 December 2017	Teleconference

**Action Table (as at 30 October 2017)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
CRE 0701	31/07/17	1.4	MC to review, investigate and report back to the committee the credit rating for Baa (October).	Xoserve (MC)	Closed