

UNC DSC Credit Committee Minutes
Wednesday 23 November 2022
via Microsoft Teams

Attendees

Yvonne Reid-Healy (Chair)	(YRH)	Joint Office	Non-Voting
Mike Berrisford (Secretary)	(MiB)	Joint Office	Non-Voting

Shipper User Representatives (Voting)

James Knight	(JK)	Centrica
Jane Morrison	(JM)	SSE
Steve Mulinganie	(SM)	SEFE Energy

Transporter Representatives (Voting)

Brandon Rodrigues	(BR)	BUUK
Howard Gormley	(HG)	Cadent
Samuel Lyons	(SM)	Wales & West Utilities
Richard Loukes	(RL)	National Grid NTS

CDSP Credit Representatives (Non-Voting)

Brendan Gill	(BG)	Xoserve
Claire Jamieson	(CJ)	Xoserve
Sharon Texeira	(ST)	Xoserve

Copies of all papers are available at: <https://www.gasgovernance.co.uk/dsc-credit/231122>

DSC Credit meetings will be quorate where there are at least 3 voting members, or appointed alternates in attendance.

1. Introduction

Yvonne Reid-Healy (YRH) welcomed all representatives to the meeting.

1.1. Apologies for absence

Dan Wilkinson, EDF
Kundai Matiringe, BUUK
Laura Dawson, E.ON UK PLC
Sharon Bright, Xoserve

1.2. Note of Alternates

Kirsty Dudley for Laura Dawson, E.ON UK PLC
Brandon Rodrigues for Kundai Matiringe, BUUK

1.3 Quoracy Status

YRH confirmed the meeting was quorate.

1.4 Approval of Minutes (24 August 2022)

The minutes of the previous meeting were approved.

1.5 Approval of Late Papers

There were no late papers to consider.

2. CDSP Operational Report

2.1. CDSP Cash Collection update

Brendan Gill (BG) presented the DSC Credit Committee Operational Statistics.

For full details please refer to the Scorecards published.

Cash collection

August 99.94% at Payment Due Date and 99.99% at Payment Due Date +3

September 95.61% at Payment Due Date and 99.83% at Payment Due Date +3

October 96.16% collected by Payment Due Date and 99.99% at Payment Due Date +3

Dip in collection performance at PDD in September due to one user settling their invoice a day late, Dip in collection performance at PDD in October due to one user settling invoice PDD+3. No concerns regarding payments.

Financial Values of Invoices Collected

<u>Month</u>	<u>Invoices Due for Collection</u>	<u>Payment Due Date</u>	<u>Payment Due Date +3</u>
August	<u>£7,889,143.93</u>	<u>£7,884,262.64</u>	<u>£7,888,625.67</u>
September	<u>£8,868,977.63</u>	<u>£8,479,456.09</u>	<u>£8,853,730.09</u>
October	<u>£7,917,743.05</u>	<u>£7,613,916.46</u>	<u>£7,917,148.68</u>

Failure to Pay Notices Issued

August:	6	£4,408.68
September:	13	£387,037.23
October:	3	£303,330.82

Invoicing:

- No invoicing issues reported during this quarter to date.
- Total of Late Paid interest charges invoiced in August, September, and October £2,634.92

Escalations:

- No escalations to report.

Outlook:

- Continue early engagement with customers leading up to payment due date.
- Increase communications with Administrators in pursuit of debt left from failed users.

Security

- 89% customers secured credit rating with Experian or Graydons.

- 7% of customers prepay for services.
- 3% have fixed security in place (LOC/PCG).
- 1% on immediate payment terms.
- No concerns resulting from daily credit agency alerts.

Debt

Total debt of £452,388.72 being pursued through Administrators via regular updates.

2.2. CDSP Security Management Update

New User Security:

In providing an overview of the ‘Securities – Published Credit Ratings’ slide, BG advised that the information relates to circa 90% of customers and there are no concerns resulting from daily credit agency alerts.

Other Securities:

BG advised that as far as the ‘Securities – Other’ slide is concerned, the information provided relates to circa 10% of customers.

Type of Security	Number of Customers	Percentage	Financial Value
Prepayment customers	26	6%	Payment is made before service is provided
Secured with a Letter of Credit, Parent Company Guarantee or Deposit Deed	13	3%	£2,008,091.00
Immediate Payment Terms	3	1%	November invoice value £47,957.32

When asked whether the September / October late payments indicated a ‘trend’ being witnessed, BG responded by advising that whilst there is no obvious trend showing, Xoserve do continually monitor and assess the information for any potential trends appearing (inc. examining the energy side).

3. CDSP Outstanding Debt Position

BG advised that:

- Relates to all companies that have failed the market.
 - Dividends highlighted for I Supply (ICE) and Orbit (ORB).
- Administrators have confirmed that there will be no dividends from CNG until 2024.
 - BG will seek confirmation if the dividends are ‘interest linked’ and will advise at the next DSC Credit meeting scheduled for 22 February 2023.
 - BG explained how dividends can often take time to filter through and confirmed that he would ensure that the Committee are updated, especially on the older items.
 - BG confirmed that there is no ‘cap’ per se on how much dividend Xoserve can accept from the Administrators before needing to ‘smear’ across the industry, and that any (financial) benefit would be passed through to industry – in short, the benefit is based purely on what funds are passed to Xoserve and the Xoserve Finance Team would assess how best to manage the process.

New Action 1101: Reference CNG Dividend Payment Allocation Policy - Xoserve (BG) to ascertain how funds would be returned and shared across the industry.

- BG confirmed that whilst there are no specific 'timeout' periods associated with receipt of dividends, it does depend upon how the Administrators manage positions and how often any (administration) periods get extended – in essence, the period continues until Xoserve are notified that the administration process is being closed down, which can be several years.
- Debt is not 'normally' smeared across the industry and so far, Xoserve has been able to 'absorb' the debt (via its profit v's loss adjustments) and avoided passing it on to the industry.
 - It was noted that Xoserve have not absorbed the debt as it has been met from existing funds and has not required additional funding from parties.
 - Rules do allow for Xoserve to pass on debt to industry should the need arise, but so far during the course of 2022, the position has been manageable especially as industry party failure rates have reduced from the peak during 2021.

4. Termination Review Update

Not specifically discussed.

5. Deed of Undertakings

BG explained that this matter had now been closed. The Committee Members agreed the item could be removed from future agendas until such a time as it is needed again.

6. Review of Outstanding Actions

0801: Xoserve (BG) to re-circulate the Deposit Deed document to the DSC Credit Committee members.

Update: When YRH confirmed that the Deposit Deed document had now been re-circulated, BG noted that it included Bristow's developed deposit deed and two new credit rules (inc. Agency change), at which point Committee Members in attendance agreed the action could now be closed.

Closed

0803: Xoserve (SB (Sharon Bright)) to update the UNC and DSC Credit Rules at the end of September 2022 to include the Deposit Deed and Creditsafe updates.

Update: In explaining that work remains ongoing, and that revised Credit Rules would be circulated once Modification '0815S – DSC Committee Quoracy' output has been provided (expected early December 2022) – please refer to agenda item 8.2 below for more details.

BG added that whilst the Creditsafe rules had also been updated to include deposit deed, the Transporters utilise Graydons Credit Agency. The expectation is that Transporters will arrange for UNC to be updated with any change in agency.

The Committee Members in attendance agreed to carry forward the action. **Carried Forward**

7. Key Messages

It was agreed that there were no 'Key Messages' for dissemination following this meeting.

8. Any Other Business

8.1. Chartered Institute of Credit Management

In provided an overview of the 'The Chartered Institute of Credit Management (CICM)' slide, BG explained to Committee Members that Xoserve are accredited Credit Managers and as a consequence Xoserve is independently assessed every 18 months.

BG also shared the news that Xoserve are finalists at the annual CICM Awards and are finalist for the Resilience and Continuity award.

8.2. Modification 0815S – DSC Committee Quoracy

BG provided a brief overview of the information provided on the presentation slide during which there were no adverse comments forthcoming.

8.3. Bulb Energy Update

When asked whether there are any potential impacts that the DSC Credit Committee should be aware of, BG advised that should the matter be approved, there would be no debt arising as there is sufficient monies in the bank to cover it – YRH suggested that future updates could be provided within the Operational Update agenda item.

9. Next Steps

BG pointed out, and Committee Members in attendance agreed, there is no need for monthly meetings at this time.

10. Diary Planning

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Time / Date	Venue	Workgroup Programme
09:15 Wednesday 22 February 2023	Microsoft Teams	Standard agenda items
09:15 Wednesday 22 November 2023	Microsoft Teams	Standard agenda items
09:15 Wednesday 23 August 2023	Microsoft Teams	Standard agenda items
09:15 Wednesday 24 May 2023	Microsoft Teams	Standard agenda items

Action Table as of (23 November 2022)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Due Date	Status Update
0801	24/08/22	5.0	Xoserve (BG) to re-circulate the Deposit Deed document to the DSC Credit Committee members.	Xoserve (BG)	August 2022	Update provided. Closed
0803	24/08/22	6.0	Xoserve (SB) to update the UNC and DSC Credit Rules at the end of September 2022 to include the Deposit Deed and Creditsafe updates.	Xoserve (SB)	February 2023	Closed
1101	23/11/22	3.	<i>Reference CNG Dividend Payment Allocation Policy</i> - Xoserve (BG) to ascertain how funds would be returned and shared across the industry.	Xoserve (BG)	February 2023	Pending