

## **Data Services Credit Rules**

### **Outline**

This outline document is based on the latest proposed draft of SSC A15A (Central Data Service Provider) of the Gas Transporters licence published by Ofgem on 28 April 2016. Xoserve's assumption is that the Data Services Contract Credit Rules will apply to CDSP Services.

The link to and relationship with the DSC Terms and Conditions needs to be considered in more detail. In particular, please refer to Clause 5 of the DSC Terms and Conditions.

### **Objectives of the Data Services Credit Rules & Policy**

1. To establish credit arrangements and associated governance that are consistent with licence condition referred to above.
2. To minimise, as far as practically possible, CDSP's Customers (who form part of the CDSP's "mutual" community) risk from avoidable financial loss resulting from another Customer's default.
3. To ensure systems, processes and procedures are developed in a manner that is not unduly discriminatory between DSC Customers.
4. To establish arrangements that are appropriately governed, including the establishment of a Data Services Credit Committee, with clear principles and strategic objectives and operated in accordance with that governance.
5. Agree a suite of Management Information with Data Services Credit Committee for the CDSP to provide reporting information to agreed key credit related KPIs and allow transparency of performance.
6. Work with the Data Services Credit Committee to ensure DSC Customers operate within the prevailing rules.
7. Develop and maintain a consistent credit limit framework for limiting CDSP's Customers' exposure to the risk of financial loss resulting from the provision of CDSP Services.
8. To enable the CDSP to collect all amounts due in accordance with agreed payment terms in order to achieve monthly cash collection targets.
9. To maintain and monitor an accurate database of customers in order to actively monitor current and future contractual exposures.
10. Advise relevant management within the CDSP, in a timely manner, on DSC Customers' exposure to risk resulting from current and future planned initiatives and advise of any action necessary to contain that exposure within the defined limits, ensuring that issues are escalated where appropriate.

## **Principles of the DSCC Policy**

- **Establishing a Data Services Credit Committee (“DSCC”):**
  - (i) Powers and duties of the DSCC
  - (ii) Appointment of members
  - (iii) Meetings protocols and frequency
  - (iv) Establishing the Data Services Credit Rules and their governance
  - (v) Process for changing rules
  - (vi) Management Information reporting
  
- **Ensure an appropriate link to the charging methodology** so that liability is clearly defined for default of payment by DSC Customers and other recipients of CDSP Services and all costs associated with the recovery of amounts in default incurred by the CDSP.
  
- **Agree the types and forms of security** which, if required, can be accepted by the CDSP from DSC Customers and other recipients of CDSP Services including:
  - (i) Non-registrable Deposit Deed (Cash Deposits)
  - (ii) Letters of Credit, Multiple Letters of Credits (in line with Uniform Customs and Practice for Documentary Credits (2007 revision) International Chamber of Commerce Publication No. 600)
  - (iii) Parent Company Guarantee
  - (iv) Investment or Lower Grade Rating (Moody's, S&P, Graydons)
  - (v) Renewal of Security
  
- **Determining the Secured Credit Limit:**
  - (i) Quantifying the Credit Risk Metrics in identifying the level of credit to provide to individual Market participants
  - (ii) Outlining the Credit Assessment Process
  - (iii) Credit Checking all Customers
  - (iv) Consider the Frequency of Credit Assessments
  - (v) Monitoring of Credit Limits
  - (vi) Measurement of Financial Institution risk via an agreed Financial Ratings Table
  - (vii) Operation of the Credit Risk Framework

NOTE: The DSCC could potentially agree that no security is required. For discussion.
  
- **Cash Collection and Enforcement Processes**
  - (i) Issuing reminder letters
  - (ii) Issuing Default Notices
  - (iii) Process for disputed sums
  - (iv) Suspension notice
  - (v) Referring to debt recovery
  - (vi) Enforcement procedures
  - (vii) Bad debt write off and invoicing/charging methodology
  - (viii) Consideration of timeframes for notices
  
- **Appeal Process;**
  - (i) Credit decisions
  - (ii) Request for security
  - (iii) Request for further security
  - (iv) Suspension of Services
  - (v) Secured Credit Limits