

UNC DSC Credit Committee Minutes

Monday 22 May 2017

Teleconference

Attendees

| | | | |
|------------------------|-------|--------------|------------------|
| Bob Fletcher (Chair) | (BF) | Joint Office | Non-Voting |
| Helen Cuin (Secretary) | (HC) | Joint Office | Non-Voting |
| Adam Lane | (AL) | Shipper | Voting Member |
| Colette Baldwin | (CB) | Shipper | Voting Member |
| James Hill | (JH) | Shipper | Voting Member |
| Joanna Ferguson* | (JF) | Transporter | Voting Alternate |
| John Burke | (JB) | Transporter | Voting Member |
| Mark Cockayne | (MC) | CDSP | Non-Voting |
| Pauline Babb | (PB) | Shipper | Voting Member |
| Paul Whitton* | (PW) | Transporter | Voting Member |
| Sean McGoldrick* | (SMc) | Transporter | Voting Member |
| Sandra Dworkin | (SDw) | CDSP | Non-Voting |
| Sue Davies | (SDa) | Transporter | Voting Member |
| Zar Suleman | (ZS) | CDSP | Non-Voting |

*via teleconference

Apologies

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

Copies of all papers are available at: <http://www.gasgovernance.co.uk/DSC-Credit/220517>

1. Introduction

1.1. Apologies for absence

Ian Clark. See above.

1.2. Note of Alternates

Joanna Ferguson for Ian Clark.

1.3. Review of Outstanding Actions

DSC0204 Rating agency reports – comparison of interpretation for consistency.

Update: MC provided a comparison of the rating agencies and analysis against a sample of six organisations Xoserve are currently trading with. The three agencies were Graydons, Experian and D&B, the organisations were anonymised using river names. ZS explained the different drivers for the valuations and that some consider the Parent Company worth as a weighting percentage and others use a lower rating. The committee considered how D&B use Parent Company weightings. ZS explained that there is an assumption that a larger company is more established and less likely to default, and typically the rating agency would look at the total asset value, excluding trade data and CCJs, Public Records and demographic data, and secured charges.

SDa highlighted that there is a level of disparity with rating companies but without further analysis she couldn't say with any certainty if this was the same for every trading company. MC explained the ratings indicate the maximum exposure but the CDSP will set a credit limit based on the actual exposure. SDw suggested if parties were interested Xoserve could provide the value of the credit limits. It was concluded that D&B provide the most generous rating whereas, Expeditan provided a more realistic valuation. MC confirmed that CDSP are accepting the ratings on the understanding that there is an inherent risk in the disparity in the ratings. It was agreed that D&B would still be considered as an alternative rating but the committee wanted to better understand the actual level of exposure. **Carried Forward.**

DSC0206: Investigate a Registrable Deposit Deed as an alternative form of security
Update: MC confirmed that the CDSP have been communicating with external lawyers to understand the type of cover, the inherent exposures, to understand what the remit is and the costs. He explained that previously the DSC Credit rules included a non-registerable deed, however this had been removed. After a discussion with members the Committee agreed not to pursue the Registrable Deposit Deed at this time to avoid incurring any additional costs. SDw agreed to take an action to update the credit rules for any reference to be removed. **Closed.**

New Action CRE0501: Reference to Registrable Deposit Deeds to be removed from DSC Credit Rules.

DSC0208 Draft DSC Credit Rule amendments to be collated and new version to be issued
Update: Issued and published. **Closed.**

DSC0301 £150 maximum unsecured credit limit to be implemented and monitor for 3 months
Update: MC confirmed this was an ongoing action. 26 customers have been identified and these will continue to be monitored under a watching brief. **Carried Forward.**

CRE0401: CDSP to review the need for confidentiality agreements and level of risk/liability placed on members.

Update: MC explained that this had been raised as a potential requirement following a comparison to PAF. However, confidentiality agreements are not deemed necessary for EBCC. As the CDSP will not share or disclose company identities unless there has been prior agreement to do so or information has been released into the public domain, it was concluded that confidentiality agreements are not required. He confirmed if an issue is affecting a user and there was a correlation in risk, in this instance the same river name would be used for reporting anonymised data to the EBCC and Credit Committee to make it clear an issue affects both committees. **Closed.**

CRE0402: CB to amend UNC 0615S to include the Credit Committee.

Update: It was believed it was not necessary to amend the modification as it was deemed to be covered with the current wording which referred to DSC Committees. The Committee discussed the published Credit Rules regarding the appointment of members and the initial appointment to the Credit Committee. It was understood that the initial appointment established by the DSC Contract Management Committee was for 18 months. A further appointment process was therefore not required until 01 October 2018. Xoserve agreed to review the contracts to clarify what is stated for the Credit Committee members' appointment process and to make it clear in the credit rules the appointment would not be required until 2018. **Closed.**

New Action CRE0502: Xoserve to provide clarity to members on what is stated within the UNC with regards to the Credit Committee membership appointment and to make sure the Credit Rules are in line with the UNC and its clear an appointment process is not required until 2018.

CRE0403: SDw to amend the Credit Rules for interim appointments.

Update: SDw confirmed that the credit rules had been updated but would require further amendment. See new above, Action 0502. **Closed.**

CRE0404: Members to advise the Joint Office of any required standing alternates.

Update: BF advised that a number of alternates had been provided and recorded. **Closed.**

CRE0405: Joint Office to approach AiGT to establish if they would like to nominate a representative.

Update: MC confirmed that this is had been discussed at DSC Contract Management Meeting on 17 May and agreed an AiGT representative should be encouraged. BF confirmed that the AiGT have been approached to nominate a member and the recent EBCC appointee had been approached to also join the Credit Committee. **Closed.**

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

SDw confirmed that this was a standing item to keep a watching brief and there was no further update, to that already discussed whilst reviewing the outstanding actions.

SDw reminded members that V1 was published and available on the Xoserve web site: <http://www.xoserve.com/wp-content/uploads/DSCCR-Approved-V-1-0.pdf>

All other DSC documents are published including the invoicing schedule for DSC General and Specific Services: <http://www.xoserve.com/wp-content/uploads/DSC-Invoicing-and-Schedule-update.pdf>

3. CDSP Operational Report

3.1. CDSP Cash Collection Update

April

SDw provided an update on the cash collection confirming 19 parties had paid in full in advance.

MC explained that some customers had paid the estimated value rather than the invoiced value resulting in 5 parties short paying their invoice between 20p and 40p. It was agreed to undertake a sensible approach and rather than pursuing, these would be written off. CB enquired if the Credit Committee should consider setting a threshold. The committee discussed potential thresholds however it was suggested that if there was a value that the CDSP were uncomfortable writing off it would bring the issue to the Credit Committee to approve.

MAY

SDw gave an overview of the cash to be collected during May

- Total Due £8M circa
- General Services (April) 99.93% due 30/5/17
- Additional Services 0.06% due 24/5 & 28/5
- Third Party Services 0.01% due 24/5 & 26/5

Late Payment Potential Escalation

SD confirmed that Notices will be issued the day after payment due date.

Additional Services & Third Party escalation to committee if not paid 31/5/17, 1/6/17 & 2/6/17

General Services escalation to committee 5/6/17

Members agreed that if any of the invoices due before 30/5/17 were paid late, due to their comparative small values they could be escalated to the DSC Credit Committee on 5/6/17 when any General Services late payments would be looked at.

SDw confirmed once the CDSP has collected the May invoice values it will produce an information pack stating:

- % paid on payment due date
- Late Payment Notices
- Debt over 3 business days

SDw went on to discuss the estimated Cash Collection for June providing a breakdown as follows:

June - Total Due £9 M circa
 General Services (May) 89.10% due 15/6/17
 Specific Services (April) 18.52% due 21/6/17
 Total DSC/UUA 99.6%
 Third Party Services 0.4%

3.2. Security Management Update

SDw confirmed that the majority of customers 87%, have an unsecured published credit rating, 11% have advance paid, 2% are secured with a PCG.

The issue with the PCG reported last month was still being resolved. Post meeting note – PCG now agreed details being finalised.

IGTs accede to the DSC 1/6/17, all have been informed of their DSC Credit Limit, one customer will be paying in advance for their service, all others have an acceptable published credit rating.

SDw confirmed that the interim indebtedness monitoring system is now operational. The credit limits are based on estimates for FGO implementation. Once actual information (invoiced and accrual) is established the Credit Limits will be adjusted. This process is currently being completed. All customers will be advised of any revision to their Credit Limit. SDw confirmed that notices would be issued to customers once they hit 80% of the limit and at 100% they will be asked to provide additional security to reduce exposure back under 90%.

3.3. Credit Escalation/Issues

No data to report on.

4. Any Other Business

None raised.

5. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

| Time/Date | Venue |
|--------------------------------|--------------------------|
| 09:30 Monday 26 June 2017 | Teleconference |
| 09:30 Monday 31 July 2017 | Teleconference |
| 09:30 Tuesday 29 August 2017 | Teleconference |
| 09:30 Monday 25 September 2017 | Teleconference |
| 11:00 Monday 30 October 2017 | Lansdowne Gate, Solihull |
| 09:30 Monday 27 November 2017 | Teleconference |

Action Table (as at 22 May 2017)

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Status Update |
|-----------------|--------------|------------|--|-------------------|------------------------|
| DSC 0204 | 16/2/17 | X5.0 | Rating agency reports – comparison of interpretation for consistency. | Xoserve (MC) | Carried Forward |
| DSC 0206 | 16/2/17 | X4.0 | Investigate a Registrable Deposit Deed as an alternative form of security | Xoserve (MC) | Closed |
| DSC 0208 | 16/2/17 | X7.0 | Draft DSC Credit Rule amendments to be collated and new version to be issued | Xoserve (MC) | Closed |
| DSC 0301 | 17/3/17 | X2.0 | £150 maximum unsecured credit limit to be implemented and monitor for 3 months | Xoserve (MC) | Carried Forward |
| CRE 0401 | 24/04/17 | 1.3 | CDSP to review the need for confidentiality agreements and level of risk placed on members. | CDSP (MC) | Closed |
| CRE 0402 | 24/04/17 | 2.0 | CB to amend UNC 0615S to include the Credit Committee. | Member (CB) | Closed |
| CRE 0403 | 24/04/17 | 2.0 | SDw to amend the Credit Rules for interim appointments. | CDSP (SDw) | Closed |
| CRE 0404 | 24/04/17 | 5.1 | Members to advise the Joint Office of any standing alternates. | All Members | Closed |
| CRE 0405 | 24/04/17 | 5.2 | Joint Office to approach AiGT to establish if they would like to nominate a representative. | Joint Office (HC) | Closed |
| CRE 0501 | 22/05/17 | 1.3 | Reference to Registrable Deposit Deeds to be removed from DSC Credit Rules. | Xoserve (SDw) | Pending |
| CRE 0502 | 22/05/17 | 1.3 | Xoserve to provide clarity to members on what is stated within the UNC with regards to the Credit Committee membership appointment and to make sure the Credit Rules are in line with the UNC and its clear an appointment process is not required until 2018. | Xoserve (SDw) | Pending |