

UNC DSC Credit Committee Minutes

Monday 24 April 2017

Teleconference

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office	Non-Voting
Helen Cuin (Secretary)	(HC)	Joint Office	Non-Voting
Colette Baldwin	(CB)	Shipper	Voting Member
Ian Clark	(IC)	Transporter	Voting Member
James Hill	(JH)	Shipper	Voting Member
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	(SM)	Transporter	Voting Member
Sandra Dworkin	(SDw)	CDSP	Non-Voting
Sue Davies	(SDa)	Transporter	Voting Member

Apologies

Adam Lane	(AL)	Shipper	Voting Member
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Copies of all papers are available at: <http://www.gasgovernance.co.uk/DSC-Credit/240417>

1. Introduction

BF welcomed the members to the first formal DSC Credit Committee meeting.

It was noted that the meeting was quorate with 5 Transporter and 3 Shipper members present.

MC confirmed that he and SDw would be representing the CDSP at this and future Credit Committee meetings.

1.1. Apologies for absence

None pre-advised. See above.

1.2. Note of Alternates

None provided.

1.3. DSC credit committee member confidentiality agreement

SDw highlighted that a credit committee member had expressed concern about the wording within the confidentiality agreement provided for members to sign. These implied members would be personally liable along with an unlimited liability; and this may create a conflict with an individual's contract of employment.

SDw confirmed that 3 members had already signed the agreement however during the meeting 4 members expressed concerns that the liability was excessive. It was believed that with other sub-committees' certain clauses within the UNC protected parties. However, this protection does not appear to be offered to the Credit Committee due to its distinct and separate arrangements. SDa suggested it appears in the wording of the agreement that the liability is a personal liability which employers cannot indemnify.

CB believed that the separate DSC contract with Xoserve removed some of the protection offered to other committees through UNC such as the Energy Balancing Credit Committee (EBCC) and Performance Assurance Committee (PAC).

CB challenged what the confidentiality agreement was trying to achieve, and stressed there needs a balance against risk and functionality of the agreement. It appeared that Xoserve were protected from any liability, however the risks/liabilities were placed wholly on the individual members. The confidentiality of information being presented was also considered. It was challenged that the Credit Committee members would not be able to undertake their role without access to certain data.

BF enquired if the Credit Committee needed a confidentiality agreement. BF challenged the parallel comparison that was being made with PAC. He highlighted that that the EBCC does not have a confidentiality, whereas the PAC does. BF explained the differing roles between the EBBC and PAC. With EBCC; National Grid NTS are the account holders and parties are protected from the disclosure of information as it is controlled by Xoserve on behalf of National Grid NTS and the parties are not identified unless they agree or there is a pressing need to do so. The only time a party's identification will be known is, if this information is already available in the public domain. With PAC; the committee is provided information to allow an investigation into performance, this requires looking at industry data where parties may be identifiable and is a requirement of the role of PAC members. BF questioned the differences and whether the CDSP would be protecting identities similar to EBCC, where information would not be disclosed that is not already in the public domain or where there is prior agreement of the party concerned.

MC believed it was reasonable to have confidentially agreements in place and that this had been suggested at the Modification 0565 Workgroup meetings and to be consistent, this approach is also being considered for the EBCC. He suggested he would take the concerns raised back to the Xoserve Legal Team and examine further, including how much it would cost to provide an indemnity, with an understanding that any costs incurred would need to be covered by the industry as an extra cost.

BF expressed concern that, if certain information needed to be reported on, and it was considered strictly confidential, how would the Credit Committee continue to operate until changes were made or confidentiality agreements could be put in place. It was also questioned if the Joint Office staff should also have to sign a confidentiality agreement.

BF believed there could be a simpler confidentiality agreement and the liability levels could be reviewed. The committee considered if the confidentially agreement would be required, if information would not be disclosed, unless it was already in the public domain.

BF suggested that as certain members of staff at Xoserve will have access to confidential information this would be covered by their general contract of employment, not to disclose confidential information. It was also noted as the CDSP and Joint Office would not be making decisions on the information being considered, therefore they would not be considered liable unless for example identified as a deliberate act.

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

1.4. Review of Outstanding Actions

DSC0201: Confidentiality Agreement to be issued.

Update: Update provided 17 March. Please refer to item 1.3. **Closed**

DSC0204 Rating agency reports – comparison of interpretation for consistency.

Update: Agreed to review at face to face in May. **Carried Forward.**

DSC0206: Investigate a Registrable Deposit Deed as an alternative form of security

Update: Deferred. **Carried Forward.**

DSC0207: Pursue pre-payment as an option

Update: Please refer to item 4.1. **Closed**

DSC0208 Draft DSC Credit Rule amendments to be collated and new version to be issued

Update: Please refer to item 2.0. **Carried Forward.**

DSC0301 £150 maximum unsecured credit limit to be implemented and monitor for 3 months

Update: Ongoing monitoring. **Carried Forward.**

DSC0302 Liaise with JO regarding opening agenda and items for ratification at the formal DSC Credit Committee

Update: Members agreed to simplify the agenda and agreed standard agenda items going forward from the next meeting. **Closed**

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

SDw reported that the draft DSC Credit Rules had been emailed to members and comments had been collated. She confirmed that subsequently further comments had been received and the Credit Rules would be updated and re-issued via email for final approval.

SDw summarised the changes/comments that had been made and clarified that all parties had received a response to the concerns/comments raised. These were briefly discussed and included reference to the removal of Transporters requirement for security and explanation that un invoiced accrued debt would not attract VAT. SDw also confirmed that some changes had been made to the rules escalation process to ensure in line with the Credit Policy.

SDw highlighted that CB had raised a point about the retirement of members where there isn't a standing alternate. It was understood that the Joint Office would contact the company that employed that member and invite it to nominate a member on an interim basis. If the company is not able to provide a replacement, the Joint Office would ask an existing alternate to act on an interim basis. CB had pointed out this would be in conflict of section 3.3.3 which states members are representatives in their own right and do not represent the company it is employed by. The committee also discussed whether if it was appropriate having two members potentially from the same organisation when a member retires and an interim appointment is made using a standing alternate. There was a suggestion of an interim election process which could be enacted to avoid complications and replace representatives. The committee agreed there was no reason why interim elections could not take place if there was a substantial period remaining. It was agreed that an interim election would be a simpler solution to recruit replacement members without complicating the rules.

CB highlighted to the Committee that a UNC Modification had been raised to manage a mid-term appointment process: Modification 0615S - Representation on DSC Committees: amendment to include mid-year appointments. CB agreed to amend the modification to cover all DSC Committees including the Credit Committee.

SDw also confirmed that that DSC Credit Rules would be amended to allow for a midyear interim appointment process.

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

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

Post Meeting Note: these were circulated to members on 25 April requesting approval by 28 April 2017.

SDa asked if the amended Credit Rules could be re-issued with changed marking to allow members to easily identify the changes for approval and publication.

MC confirmed that the first batch of invoices were due on 30 May 2017 for General Services and Third Party Services. He suggested that with the current credit limits, the Credit Committee may need to convene a meeting on 05 June if any problems are identified and

needed reporting to members. He acknowledged that some of the values may be very low, however the CDSP would be reporting all values for the first few months. As a result, he wanted to provide an early indication of a potential meeting on 05 June.

3. Adopt terms of reference for committee

It was suggested that a separate Terms of Reference (TOR) may not be required. The committee considered the Credit Policy and Credit Rules and whether an additional reference document was necessary. It was deemed that a separate TOR would not be required and it was sufficient to provide a reference to the DSC Credit Policy and Credit Rules.

4. CDSP Operational Report

4.1. CDSP Cash Collection Update

SDw confirmed that 19 invoices had been issued in advance of the Annual IX rental, at customers request, for the pre-payment of the annual charge. All of these had been paid.

SDw confirmed that the first DSC General Service invoices will be issued on 28 April and will be due for payment on 30 May.

MC suggested that the Credit Committee may need to convene a meeting if any problems regarding payment were identified and needed reporting to members. He acknowledged that some of the values may be very low, however the CDSP would be reporting all values for the first few months. As a result, he wanted to provide an early indication of a potential meeting on 05 June.

SDw also reported that the last User Pays invoice was issued on 19 May. A data cleansing exercise was currently being undertaken to ensure all systems are set up to reflect the information provided by the Single Points of Contacts for invoicing and credit.

4.2. Security Management Update

SDw confirmed that all DSC parties have provided security for the beginning of April, however one Parent Company Guarantee (PCG) which covered 4 parties did not conform to the standard template and required further consideration.

The percentage results reported:

For Shippers/Traders: 2.23% of security not in place; 10.61% paid in advance for year; 83.79% have a published credit rating; and 3.35% do not require security.

For iGTs: 18.18% will require further security which is being pursued.

For Third Party Services: 28.88% had services which were less than £150 and did not require security; 51.11% have a published credit rating; and 20% have existing commercial contracts which will be renewed in accordance with the new credit policy.

4.3. Credit Escalation/Issues

As detailed in 4.2 one Parent Company Guarantee (PCG) which covered 4 parties did not conform to the standard template. MC confirmed that there were some reasonable challenges to some of the clauses. Xoserve's legal department have been working with the party concerned and it is proposed that once an agreement is reached, the current PCG proforma is issued with a mark-up of the potential amendments for members to agree. It is anticipated that if members agree the amended version this will replace the current template within the Credit Rules.

4.4. Indebtedness monitor update

MC confirmed that an indebtedness monitor is being built, however manual tracking is taking place until the system solution is available. It is anticipated that the system solution should be available after testing has taken place at the beginning of May.

5. Any Other Business

5.1. Alternates

SDw noted that four of the Shipper Credit Committee members had standing alternates on the EBCC and she enquired if the Credit Committee members would be appointing the same alternates as it would be straight forward to update records. Some members confirmed that the same alternates may not be appropriate and that they would probably nominate alternates on an occasion basis. Members therefore agreed to advise of any standing alternates.

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

5.2. iGT Membership.

SDw enquired if an iGT member would be sought upon the implementation of Project Nexus. BF explained that an iGT member could be invited to take position from 01 June 2017 until 30 September 2017. BF agreed that the Joint Office would approach the AiGT to establish if they would like to nominate a representative for the DSC Credit Committee.

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

6. Diary Planning

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

Time/Date	Venue
10:30 Monday 22 May 2017	Lansdowne Gate, Solihull
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
09:30 Monday 18 December 2017	Teleconference

Action Table (as at 24 April 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
DSC 0201	16/2/17	X4.0	Confidentiality Agreement to be issued.	Xoserve (SDw)	Closed
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)	Carried Forward
DSC 0207	16/2/17	X5.0	Pursue pre-payment as an option	Xoserve (MC)	Closed

Action Table (as at 24 April 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
DSC 0208	16/2/17	X7.0	Draft DSC Credit Rule amendments to be collated and new version to be issued	Xoserve (MC)	Carried Forward
DSC 0301	17/3/17	X2.0	£150 maximum unsecured credit limit to be implemented and monitor for 3 months	Xoserve (MC)	Carried Forward
DSC 0302	17/3/17	X2.0	Liaise with JO regarding opening agenda and items for ratification at the formal DSC Credit Committee	Xoserve (MC)	Closed
CRE 0401	24/04/17	1.3	CDSP to review the need for confidentiality agreements and level of risk placed on members.	CDSP (MC)	Pending
CRE 0402	24/04/17	2.0	CB to amend UNC 0615S to include the Credit Committee.	Member (CB)	Pending
CRE 0403	24/04/17	2.0	SDw to amend the Credit Rules for interim appointments.	CDSP (SDw)	Pending
CRE 0404	24/04/17	5.1	Members to advise the Joint Office of any standing alternates.	All Members	Pending
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)	Pending