

DCP 314 Meeting 11 (Teleconference)

03 December 2018 at 09:00

ElectraLink, Third Floor, Northumberland House, 303-306 High Holborn, London, WC1V 7JZ / Teleconference

Attendee	Company
Working Group Members	
Donna Townsend [DT]	ESP
Andrew Enzor [AE]	NPG
Chris Parish [CP]	Ofgem
Chris Barker [CB].	BU-UK
Gillian Miller (GM)	Scottish Power
Code Administrator	
John Lawton [JL] (Chair)	ElectraLink
Huw Neyroud [HN] (Secretariat)	ElectraLink
Apologies	
Dave Wornell (DW)	WPD

1. Administration

- 1.1 The Chair welcomed the members to the meeting and noted an apology from Dave Wornell.
- 1.2 The Working Group reviewed the "Competition Law Guidance" All Working Group members agreed to be bound by the Competition Laws Guidance for the duration of the meeting.
- 1.3 The Working Group reviewed the actions from the previous meeting and the updated actions are shown in Appendix 1.
- 1.4 The last meeting's minutes were reviewed during the meeting and it was agreed they were an accurate record of the previous meeting.

2. Review legal texts DCP 314

- 2.1 The Chair began the meeting by directing the conversation towards the last meeting's discussion on how the Distribution Network Operator (DNO) can reconcile the invoices from the data that is provided from the Independent Distribution Network Operator (IDNO) and the previous issue regarding credit cover and collateral being recorded on the Unrecovered Bad Debts Model potentially leading to sensitive data being shared with the DNOs.
- 2.2 On the second point around Credit Cover and Collateral the Chair mentioned that the way in which Section 8 of the legal text is written the IDNO has already self-certified compliance to Schedule 1 of DCUSA so realistically is there a necessity for the Collateral to be reported on the Unrecovered Models of Bad Debts especially if they have offset this against debt prior to reporting any outstanding debt to the DNO? One Working Group member mentioned that it is there for validation of amounts by the DNO another member asked what the DNO would potentially do with the data once received.
- 2.3 From this discussion the Working Group concluded to have the IDNO representatives take the issue offline and discuss with the other IDNO parties the issue of providing the amounts of credit cover/Collateral in the models and feedback the response.

Action 11/01 – DT to discuss the Credit Cover/Collateral issue with IDNO parties offline and feedback the final response to the issue.

- 2.4 The discussion then led to what is in place in the model itself for calculating the percentage of debt, as one IDNO representative mentioned that the way in which their business would normally approach using the credit cover would be to age profile the debts and use the cover on the oldest first.
- 2.5 There was also a concern that by not undertaking a prudent approach to debt management the IDNO may be penalised by a further reduction in recovery due to the age of the debt. The model was reviewed, and this concern was validated.
- 2.6 The current model assumes that the cover is spread equally, and that age profile is not the chosen factor in where the cover is utilised. It was agreed in the Working Group to look into modifying the model to enable the use of the collateral on the oldest debt first following the process of the IDNO.

Action 11/02 – AE to modify the Models considering the IDNO approach of utilising Collateral on the oldest debt first.

- 2.7 The Chair then asked the Working Group about the true trigger of the process as currently the text provided by the DCUSA lawyer states that the process begins at the point that a Supplier of Last Resort is appointed by the Authority and the Last Resort Supply Direction is issued. The Working Group reviewed the legal text and the Change Report and discussed what the trigger for the process truly was.

- 2.8 This concern arose from the Ofgem Representative who had looked at the Ofgem website & ePR to find the publication dates for the SoLR and licence revocation. The Ofgem Representative had been unable to find a licence revocation document for Spark Energy on the ePR but had found a press release. The Ofgem Representative in their email had suggested that perhaps we could consider the press notice about a failed supplier published by Ofgem as the process start and mentioned that the advantage of that approach would be that it is in the public domain and comes at the start of the SoLR and licence revocation process. The disadvantage is that it is only a press release, not a formal decision by the Authority.
- 2.9 The Working Group considered the information provided by the Ofgem Representative and discussed the potential issues with using the press notice. The Working Group considered what happens in the cases where a SoLR is not required? A Working Group member mentioned that there is a potential scenario where there is a supplier licence revocation but no SoLR is needed to be put in place. A supplier may default and have their licence revoked but before a SoLR is chosen the customer base has migrated to a new supplier leaving no requirement for a SoLR to be appointed.
- 2.10 The Working Group considered this issue and agreed that the intent of the change would need to be widened to any revocation of a supply licence as in the above example there may still be Use of System bad debts left after the supplier default that currently is not covered in this CP.
- 2.11 The Working Group therefore reviewed their Terms of Reference which state that:
- “Providing both the Proposer and a majority of the Working Group are supportive, the developing and refining of a proposal may go beyond the stated intent (where reasonable and appropriate), as long as the Working Group ensures that such development and refinement meets the spirit of the original. In such instances the Working Group should notify the DCUSA Panel. The DCUSA Panel may redirect the Working Group if any development and refinement the revised intent is not reasonable and appropriate.”*
- 2.12 The Working Group suggested that by slightly amending the intent of the CP to widen the intent to accept that the trigger of the process is the revocation of the licence rather than the assignment of the SoLR would better meet the true intention of the change.
- 2.13 An action was taken to draft a Panel paper on the change of intent for DCP 314 and a further action was taken to update the Change Report with the necessary changes to encompass the change of intent.

Action 11/03 – ElectraLink to Draft a Change of Intent paper for the December Panel and circulate to the Working Group by the 5th of December.

Action 11/04 - Draft the changes to the Change Report to consider the change of Intent and circulate to the Working group for review.

- 2.14 It was agreed that until the paper is approved by the Panel and the above actions are completed there is no reason to return the legal text to Gowlings PLC as there is still too many factors outstanding to finalise the text.

3. Unrecovered Bad Debt Models Option A and C

- 3.1 From the discussion held during the legal text review, one Working Group member had already taken the action to review and modify the models and return them during the week commencing the 14th of December.

4. Guidance Note

- 4.1 The Chair had a few items within the Change Pack that needed to be finalised starting with the Guidance Notes, The Chair explained that the changes had been made to the process flow to include a Step F. The Working Group accepted the changes and agreed to the final copy of the Guidance Note to be saved in the Change Pack folder.

5. Consultation responses and Action Log

- 5.1 The Final two items needing Working Group input were the Consolidated Consultation responses and the Actions Log.
- 5.2 The outstanding action for the Consultation responses was a blank Working Group response to Question 15 to which a response was added by the Working Group.
- 5.3 The final action outstanding on the Actions Log was regarding a response to an email sent to UK Power Network, the Working Group agreed to send the email once more before closing the action.

Action 11/05– ElectraLink to email UK Power Network to close the Action log for Change pack.

6. Next Steps

- 6.1 The Working Group agreed the next steps as follows:
- Next Working Group meeting on the 7th January 2019;
 - Update the Change Report with the new intent and circulate to the Working Group;
 - Update the Unrecovered Models of Bad debt; and
 - Create a Change of Intent paper for the Panel to gain approval for the alteration.

7. Agenda Items for the Next Meeting

- 7.1 The following agenda items will be discussed at the next meeting,
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- Change Report;
- Legal Texts; and
- Unrecovered Bad Debts Models

8. Any Other Business

8.1 There were no items of AOB and The Chair closed the meeting.

9. Date of Next Meeting: 7th January 2018 at 10am

9.1 The Working Group agreed that the next meeting will be held on 07 January at 10am via teleconference.

10. Attachments

10.1 Below are attachments to the Minutes;

- Attachment 1 – Meeting 10 Final Minutes
- Attachment 2 – DCP 314 Work Plan

Actions DCP 314 Meeting 10

Action Ref.	Action	Owner	Update
11/01	DT to discuss the Credit Cover/Collateral issue with IDNO parties offline and feedback the final response to the issue.	DT	
11/02	AE to modify the Models considering the IDNO approach of utilising Collateral on the oldest debt first.	AE	
11/03	ElectraLink to Draft a Change of Intent paper for the December Panel and circulate to the Working Group by the 5th of December.	HN	Completed Paper Circulated for input on the 6 th of December
11/04	Draft the changes to the Change Report to consider the change of Intent and circulate to the Working group for review.	JL	Completed Paper Circulated for input on the 4th of December
11/05	ElectraLink to email UK Power Network to close the Action log for Change pack.	HN	Completed Response Received and circulated to

			the Working Group.
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Closed Actions DCP 314

Action Ref.	Action	Owner	Update
10/01	Update the minutes with the suggestion from the Working Group members and circulate with the draft minutes.	HN	Completed
10/02	Update SoLR list included in the Change Report to be up to date for December Panel	HN	Completed
10/03	include a link to the Informal consultation being completed by Ofgem on SoLR under section 6.	HN	Completed
10/04	check for references to the Defaulting Supplier to make sure it was showing the correct definition.	HN	Completed - 1.4 of the Change Report - One reference to LRSD in the text under 1.4. "where there is a defaulting supplier resulting in a LRSD being issued by the Authority"

10/05	update paragraph references throughout to match the addition of the new paragraph.	HN	Completed
10/06	update references to Defaulting SoLR Supplier to Defaulting Supplier.	HN	Completed
10/07	Circulate the updated Legal text to the Working Group for thoughts on how to improve the text.	HN	Completed
10/08	Send email to IDNO parties regarding the issue around potentially confidential data being shared.	HN	Completed