

# DCP 349 Working Group Meeting 01

02 September 2019 at 10:00am

Teleconference

Attendee	Company
<b>Working Group Members</b>	
Richard Jerreat [RJ]	EDF Energy
Chris Barker [CB]	BUUK
Richard Adams [RA]	Ofgem
Claire Towler [CT]	SSE Electricity Ltd
Richard Ellis [RE]	WPD
Andrew Sherry [AS]	ENWL
Claire Campbell [CC]	SPEN
Kit Dixon [KD]	Good Energy
Rox Inskip [RI]	Social Energy
Donald Preston [DP]	SSEN
Peter Waymont [PW]	UKPN
Rebecca Cailles [RC]	BUUK
<b>Code Administrator</b>	
Richard Colwill [RC] (Chair)	ElectraLink
Melissa Kendal [MK] (Technical Secretary)	ElectraLink

## 1. Administration

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- 1.1 The Chair welcomed the members to the meeting.
- 1.2 The Working Group reviewed the “Competition Law Guidance”. All Working Group members agreed to be bound by the Competition Law Guidance for the duration of the meeting.
- 1.3 The Terms of Reference for the meeting were reviewed and the Working Group agreed that these were a fair and accurate representation of the Working Group’s objectives and agreed to be bound by them for the duration of the Working Group.

## 2. Purpose of the Meeting

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- 2.1 The Chair set out that the purpose of the meeting was to review and analyse the Change Proposal (CP) and potential solutions, review the proposed Legal Text and agree next steps for the CP.

## 3. Review of Draft Change Proposal and Solutions

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- 3.1 The Chair and AS provided an overview of the content of DCP 349. The CP can be found as Attachment 1.
- 3.2 DCP 349 was raised on 10 June 2019 with the intent to mitigate the financial risk associated with supply business failures by strengthening the criteria around the provision of unsecured cover and protect customers from increased socialised failure costs.
- 3.3 The proposer believes that the current arrangements for the provision of unsecured cover need to be reviewed as it has been seen that if, for example, DUoS invoices are being paid on time there isn’t a trigger to highlight when a Supplier may be in financial difficulty (or failing to comply with obligations which may result in future failure) until they fail to pay the latest invoice(s) when it is too late.
- 3.4 The initial concern is that the failure of suppliers has significantly increased, which demonstrates increased instability risk amongst Suppliers which imposes costs on other customers. Ofgem have been reviewing supplier licencing, to which the Working Group believe this CP will compliment.

### **Proposed Solution**

- 3.5 The current proposed solution for DCP 349 is as follows:
    - The cover that can be earned from building up a good payment history would be reduced from 60 months to 24 months after which time an independently assessed secured cover arrangement is to be put in place;
    - Introduction of a common good payment performance matrix to demonstrate the impact late payment could have on the maximum number of qualifying months of good payment history; and
    - Implementing one of the principles of the Uniform Network Code, which states. “The Transporter will set the Users Unsecured Credit Limit no higher than the lower of the credit value recommended within the Independent Assessment and the value calculated by applying the Independent Assessment Score to the Transporter’s Maximum Unsecured Credit Limit.”
  - 3.6 One point raised was regarding what would happen to existing Suppliers who have currently built up good payment history over 24 months - would this change retrospectively apply to these Suppliers.
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The Secretariat took an action to send out a RFI to DNOs regarding how many existing Suppliers could be impacted by this change.

- 3.7 The Working Group agreed that if this solution was implemented, once the 24-month period has been reached, there will need to be a transitional period for Suppliers to put in place their independently assessed secured cover arrangement. The duration of this needs to be established and it was agreed that this could be a question within the consultation. This will also need to be agreed and reflected within the Legal Text.
- 3.8 Regarding the good payment performance matrix, there was agreement that this should only be in DCUSA if it is mandated and used by all DNOs. The Secretariat took an action to write to DNOs to seek what their current processes are for missed payments and whether they would support the use of a common matrix.
- 3.9 It was also suggested that the good payment performance matrix may differ from Ofgem's Codes of Practice and therefore the Secretariat will contact Ofgem to ensure that we coordinate any future proposal.

ACTION 01/01: The Secretariat to request information from DNOs regarding number of existing Suppliers building good payment history and current procedures for late payments.

ACTION 01/02: The Secretariat to contact Ofgem regarding their Code of Practice and the proposed good payment performance matrix.

- 3.10 The Secretariat took an action to create an initial draft consultation and circulate to the Working Group for approval by 16<sup>th</sup> September.

ACTION 01/03: The Secretariat to draft and circulate initial Consultation.

## 4. Review of DCP 349 Draft Legal Text

- 4.1 The Working Group reviewed the DCP 349 Legal Text and agreed that some additional wording was needed regarding the transitional period from good payment history to an independently assessed secured cover arrangement. The Secretariat will circulate an updated version of the legal text along with the draft consultation for review by the Working Group.

ACTION 01/04: The Secretariat to review and amend the Legal Text to reflect the discussion held.

## 5. Work Plan and Next Steps

- 5.1 The Chair walked the Working Group through the draft Work Plan and an updated version can be found as Attachment 2. The following next steps for the Change Proposal were as follows:
- The Secretariat to request information regarding the likelihood of impact from DNO's and Ofgem.

- The Secretariat to draft and circulate initial Consultation.
- The Secretariat to review and amend the Legal Text to reflect the discussion held.

## 6. Agenda Items for the Next Meeting

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- 6.1 The Working Group will determine whether there is a need for another meeting prior to releasing the consultation, once the draft consultation has been reviewed.

## 7. Any Other Business

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- 7.1 There were no further items of AOB, and the Chair closed the meeting.

## 8. Date of Next Meeting

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- 8.1 The date of the next meeting is to be determined.

## New and Open Actions

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Ref.	Action	Owner	Update
<b>01/01</b>	The Secretariat to request information from DNOs regarding number of existing Suppliers building good payment history and current procedures for late payments.	ElectraLink	
<b>01/02</b>	The Secretariat to contact Ofgem regarding their Code of Practice and the proposed good payment performance matrix.	ElectraLink	
<b>01/03</b>	The Secretariat to draft and circulate initial Consultation.	ElectraLink.	
<b>01/04</b>	The Secretariat to review and amend the Legal Text to reflect the discussion held.	ElectraLink	