DCUSA SIG Meeting 107 Minutes

24 April at 10:00am: Web Conference

Attendee	Company
Working Group Members	
Donna Townsend [DT]	ESP Utilities Group
Chris Allanson [CA]	NPg
Peter Waymont [PW]	UKPN
Julia Haughey [JH]	EDF Energy
Andrew Sherry [AS]	ENWL
Richard Ellis [RE]	WPD
Gary Marshall [GM]	NPg
Kevin Woollard [KW]	British Gas
Morven Hunter [MH]	Last Mile
Thomas Cadge [TC]	BUUK
David Begley [DB]	Energetics UK
James Hope [JH]	UKPN
Paul Branston [PB]	WPD
Gary Pickering [GP]	Yu Energy
Frank Welsh [FW]	UK Power Distribution
Chris Ong [CO]	UKPN
Karl Maryon [KM]	Haven Power
Claire Campbell [CC]	SPEN
Donal Preston [DP]	SSEN
Eleanor Wood [EW]	Ofgem
Code Administrator	
Angelo Fitzhenry (AF) (Chair)	ElectraLink
Richard Colwill [RC]	ElectraLink

1. Administration

1.1 The Chair welcomed the members to the meeting.

1.2 The Group reviewed the "Competition Law Guidance". All members agreed to be bound by the Competition Law Guidance for the duration of the meeting.

2. Issues Log

2.1 The SIG reviewed the Issues Log. There was one open item, which was on the agenda for discussion (DIF 58).

3. DIF 58 - Suppliers Payment Terms and Cover calculations during COVID-19 pandemic

Overview of DIF 58

3.1 GP provided an overview of DIF 58 raised by Yu Energy (see Attachment 1). The issue raised is regarding the ability of Suppliers to meet payment terms in Section 2A and Cover calculations in Schedule 1 during the Covid19 pandemic. GP stated that he has had discussions with BEIS and Ofgem regarding potential issues with payment terms, however wanted to raise this issue through DCUSA SIG to see if Parties could work together to agree a temporary extension to the set payment terms period.

3.2 A concern is that Suppliers may need to extend terms to business customers whilst they access government support schemes and re-establish "business-as-usual" cashflows. This in turn will result in cash flow issues for Suppliers.

3.3 The solution proposed looks at Section 2a, Clause 20 (Aggregated Billing and Payment) and Section 2a, Clause 21 (Site-Specific Billing and payment). It is proposed to temporarily amend the current payment terms of 14 days to 90 days for invoices in Q2, reducing to 30 days for Q3. Payment terms would return to normal in Q4. The clauses specifically related to the 14-day payment terms are set out below:

Section 2A; 20.5

Within 14 days of the date of an Initial Account or Reconciliation Account submitted in accordance with Clause 20.3 or 20.4, the Payor shall (subject to Clause 19.6) pay to the Payee all sums due in respect of such Initial Account or Reconciliation Account in pounds sterling by electronic transfer of funds to such bank account (located in the United Kingdom) as is specified in the Initial Account or Reconciliation Account (or, where the Company is the Payor, such bank account as is notified to the Company by the User from time to time), quoting the Initial Account or Reconciliation Account number against which payment is made and/or such other details as the Payee may reasonably require.

Section 2A; 21.3

Within 14 days of the date of an account submitted in accordance with this Clause 21, the Payor shall (subject to Clause 19.6) pay to the Payee all sums due in respect of such account by electronic transfer of cleared funds to such bank account (located in the United Kingdom) as is specified in the account (or, where the Company is the Payor, such bank account as is notified to the Company by the User from time to time), quoting the account number against which payment is made and/or such other details as the Payee may reasonably require.

Yu Energy Derogation request

3.4 It was noted that Yu Energy have also submitted a derogation request regarding the proposed temporary amendments to payment terms as stated above. This derogation request will be considered at an ex. Committe DCUSA Panel meeting scheduled for 12th May.

3.5 DIF 58 has been raised separate to this as it was deemed an appropriate way to provide an open forum for industry Parties to discuss the issue in a wider context and seek views of potential options to address this issue.

Review of DIF 58

3.6 There was acknowledgement and understanding from the representatives on the call of the issue raised and of the proposed actions suggested.

3.7 An Ofgem representative was on the call and acknowledged the concerns raised and they are keen to avoid any Supplier of Last Resort (SOLR) cases. Ofgem's approach to the current crisis and potential policy decisions and directions to industry are under review and cannot be shared widely at this time.

3.8 The SIG had a general discussion regarding the issue raised and key points are summarised below:

- Need to look at how this will affect the cash flow of Distributors. For example, if DNOs need to apply for loans, there is no price control arrangement at present to recover these costs. It was also noted that the costs of such loans may be higher for smaller companies.

- Need to look at the affect this solution would have on the obligations of Schedule 1 in DCUSA. For example, impacts on Credit Allowance Factor/ Payment Record Factor, for Suppliers using Good Payment History.

- Consideration needed regarding the scope of any solution. For example, if the proposed solution is applied for all Suppliers (both domestic and non-domestic), this could impose significant cash-flow issues upon Distributors.

- A general view that there is a need for a more holistic approach to this issue and perhaps a dual fuel solution. Members were keen to understand if Ofgem is considering a wider industry approach.

3.9 There was a question raised regarding the DCUSA derogation process. The key steps in the process are as below:

- A derogation request is made by a DCUSA Party (this can be individual or applicable to all for that Party category).

- Details of the derogation request are circulated to all DCUSA Contract Managers and Ofgem inviting representations or objections with respect to the derogation for a period of 10 working days. The derogation and all responses are published on the DCUSA Website, unless marked as confidential.

- The derogation is added to the agenda for the next Panel meeting occurring more than 10 Working Days after receipt of such application.

- The Panel will review the derogation and may, if appropriate, resolve to retract any derogation, or to amend or add to the conditions applicable to any derogation. A derogation granted to any

Party by the Panel, or any retraction, amendment or addition, shall, in each case, only be effective if made in conformity with any representations received from the Authority.

- If the Panel approves a derogation request, the derogation will come into effect from the agreed date unless vetoed by the Authority within 10 Working Days of notification. The Authority can only veto a Panel decision to grant a derogation. If the Panel reject the derogation request, then that is the end of the process.

3.10 AF asked members if there was an appetite to create a SIG Sub-Group to look at a longer-term solution for how these types of events could be dealt with in the future. For example, could it be hardcoded into DCUSA on how such a situation should be managed if it happens again?

3.11 After discussions, members felt that a SIG Sub-Group would not be beneficial at this time as a majority of resource needed will be focused on the short-term solutions and there is a general view that there is a need for a more holistic approach to this issue moving forward.

3.12 GP mentioned that the current cover methodology within Schedule 1 can create a domino cash effect, which can cause Suppliers more issues if they are in a difficult financial situation. Members were informed that there is currently a Change Proposal looking at Schedule 1 - DCP 349 "Effectiveness of the current provision of unsecured cover under Schedule 1". Further details of this CP can be found at the following link – DCP 364. If anyone would like to join this Working Group, please inform the DCUSA team at DCUSA@electralink.co.uk.

ACTION 107/01: Inform DCUSA team if you would like to join the DCP 349 "Effectiveness of the current provision of unsecured cover under Schedule 1" Working Group.

4. Any Other Business

4.1 JH asked the SIG whether there are any provisions for temporary relief from DNOs for KVA charges where customers have vacated sites. A DNO representative stated that a customer can put in a de-energisation request if they have vacated a site and retain the connection agreement. DNOs do not charge DUoS for de-energised premises. Any costs associated with re-energising a site would be dependent on the individual circumstances i.e. whether a site visit was needed by the DNO.

5. Date of Next Meeting:

5.1 The SIG has a standing timetable. The meetings take place on the last Friday of each month subject to any issues being tabled for discussion. The next meeting is scheduled for Friday. 29th May and the Secretariat will confirm if this meeting will go ahead no later than Thursday, 21st May.

6. Attachments

- Attachment 1: DIF 58 'Suppliers Payment Terms and Cover calculations during COVID-19 pandemic'

Appendix 1

New and open actions

Action Ref.	Action	Owner	Update
107/01	Inform DCUSA team if you would like to join the DCP 349 “Effectiveness of the current provision of unsecured cover under Schedule 1” Working Group. Inform DCUSA team if you would like to join the DCP 349 “Effectiveness of the current provision of unsecured cover under Schedule 1” Working Group.	All	