DCP 349 'Effectiveness of the current provision of unsecured cover under Schedule 1' COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

Company	Confidential/ Anonymous	1. Do you understand the intent of DCP 349?	Working Group Comments
Bristol Energy	Non-confidential	Yes. Although we feel it is trying to resolve an issue that is being mitigated by actions elsewhere by Ofgem.	The Working Group believe that this change compliments the work that Ofgem have done.
BUUK Infrastructure	Non-confidential	Yes	Noted.
EDF Energy Customers Limited	Non-confidential	Yes. Broadly, the intent is to limit the amount of unsecured credit cover that can be built up by suppliers in order to limit potential losses to DNOs, which would otherwise ultimately end up with costs being passed on to customers.	Noted.
Electricity North West	Non-confidential	We do understand the intent of this change proposal.	Noted.
Haven Power Limited	Non-confidential	Yes	Noted.
Northern Powergrid	Non-confidential	Yes.	Noted.
Opus Energy Limited	Non-confidential	Yes.	Noted.
Orbit Energy	Non-confidential	Yes.	Noted.

SmartestEnergy	Non-confidential	Yes	Noted.
SP Distribution / SP Manweb	Non-confidential	Yes we understand the intent of DCP 349.	Noted.
SSE Energy Supply Limited	Non-confidential	Yes.	Noted.
Western Power Distribution	Non-confidential	Yes	Noted.
People's Energy	Confidential	Yes	Noted.
Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	Yes	Noted.
Working Group Conclusions: The Working Group concluded that all respondents understood the intent of DCP349.			

DCP 349 'Effectiveness of the current provision of unsecured cover under Schedule 1' COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

Company	Confidential / Anonymous	2. Are you supportive of the principles of DCP 349?	Working Group Comments
Bristol Energy	Non-confidential	No. We do not believe the case has been made for making this proposal. DNOs will continue to be neutral in this arrangement, but it now creates ongoing additional costs on all suppliers, whist Ofgem has acted to reduce the likelihood of supplier failure. Therefore, in our view these costs over the long term outweigh the benefit they provide. If the proposer believes otherwise, then an Impact Assessment should be provided.	The Working Group agree with the provision of an Impact Assessment to provide further analysis into the justification for this change.
BUUK Infrastructure	Non-confidential	Yes	Noted.
EDF Energy Customers Limited	Non-confidential	Yes, we are supportive of the underlying principles. The proposals focus on the category of credit cover that is most likely to lead to losses in the event of a default (payment history) and are seeking to address an inconsistency that could also lead to losses (with the independent credit allowance).	Noted.
Electricity North West	Non-confidential	We are supportive of the principles of this change.	Noted
Haven Power Limited	Non-confidential	No. We do not believe there is a defect with the current arrangements. During the development of a similar change proposal looking at Supplier Credit Cover under the CUSC (CMP 311), analysis identified that the historical cost of the failures to date is less than the cost of	Noted.

		lodging credit cover to replace that lost from the proposed removal of the Independent Credit Assessment allowance. As such the introduction of this measure would be detrimental General Objective 3.3.3 as it would be more inefficient than the current arrangements. There is no causal link in the proposal that the introduction of different arrangements would guarantee no future supplier failures. As the costs from a failed supplier are eventually recovered under current arrangements this risk would still be present under the proposal. We believe on balance the introduction of DCP 349 would be detrimental to Smaller Suppliers entering the market as well as all Suppliers already operating in the market. This outcome would be negative against General Objective 3.1.2 to facilitate effective competition, and the promotion of competition, and the corresponding Charging Objective 3.2.2.	
Northern Powergrid	Non-confidential	The general principles – yes.	Noted.
Opus Energy Limited	Non-confidential	No. The risks detailed within the proposal do not appear to be proportionate to the costs that Suppliers would face due to the need to provide significantly increased levels of credit cover and the restrictions that this would place upon new Suppliers seeking to enter the market. This outcome would be negative with respect to the DCUSA General Objective 3.1.2 to facilitate effective competition and negative against 3.1.4 promoting efficiency of the DCUSA and the arrangements under it. The proposal does not prevent supplier failures or provide additional protection to consumers. In the event of a supply business failure, outstanding charges are recovered from future tariff charges. The potential impact of this upon the level of customers' tariff charges is unlikely to be greater than costs that Suppliers may	The Working Group will carry out an impact assessment. A request for Information (RFI) will be needed for DNOs to look at the impact of good payment history and how this Change will also impact the independent credit allowance. An Impact Assessment will also be used to find the figures of how many Suppliers were using good payment history and/or an

		seek to pass on to consumers in order to cover the costs of any additional credit cover lodged.	Independent Credit Score at the point of failure.
Orbit Energy	Non-confidential	No. The ability for suppliers to access unsecured credit under DCUSA, as well as other industry codes, was introduced by Ofgem in 2005 as a way of ensuring that growth in retail competition and entrance into the market of new and innovative suppliers was not prevented by excessive credit requirements. This has been a key factor in the increase of competition in the market and the consequential reduction in the market share of the big six. Customer have therefore benefited under the current arrangements. Smaller suppliers rely on the existing unsecured credit provisions because they will not be able to rely on a credit Rating to obtain zero-cost credit like large suppliers; Independent Credit Assessment or Approved Credit Rating are not viable alternatives as they are either expensive or provide uncertain levels of unsecured credit. The only viable alternative for smaller suppliers is therefore either a Letter of Credit or cash on account. The costs to the market are prohibitive if these alternatives are relied upon. We note with disappointment that there has not been any attempt to quantify the likely costs of this changes, in particular the additional costs on small suppliers to meet more stringent credit requirements compared to the current bad debt risk that has materialised to date through SoLR event. It is notable that in the similar CUSC change the estimated cost to the industry if the unsecured credit in that code (£186.8m) is required to be covered by Letters of Credit would be £8.8m a year (if funded at 4%	The Working Group noted this and agreed that additional analysis needs to be completed. Working Group members agree to a more detailed Impact Assessment as previously mentioned.

		pa, which is not an unreasonable rate for smaller suppliers). This is near six times the cost exposure of £1.5m of the total bad debt incurred by NGESO from the collapse of suppliers in 2018/19. We also note there is no mechanism for these additional costs to be recovered in the supplier default tariff cap and so this increase in capital requirements may be sufficient to push some suppliers into administration. In summary these proposals represent significant and unwarranted costs to the market, far outweighing the cost to suppliers of covering bad debts that have arisen and will disproportionately penalise smaller suppliers who will be less able to bear the costs of the additional credit requirements compared to larger suppliers.	
SmartestEnergy	Non-confidential	No	Noted.
SP Distribution / SP Manweb	Non-confidential	Yes we are supportive of the principles of DCP 349	Noted.
SSE Energy Supply Limited	Non-confidential	No, as we do not believe that a defect has been identified or that the case for change has been made which necessitates this DCP.	The Working Group agreed that the Impact Assessment will highlight any potential defects.
Western Power Distribution	Non-confidential	Yes	Noted.

People's Energy	Confidential	No	Noted.
Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	Yes	Noted.
Working Group Conclusions: The Working Group noted that there is an equal split of responses, however they are supportive of a detailed Impact Assessment to understand the risks along with a request for information (RFI) to look further into the costs. An Impact Assessment will be able to draw out additional information for justification of the Change Proposal.			

Company	**Confidential/ Anonymous**	**3. Do you agree with the proposal to reduce the number of months that unsecured cover can be built from 60 months to 24 months?**	**Working Group Comments**
Bristol Energy	Non-confidential	No. We accept that 60 months may be too high, but 24 months is too low. We would argue 36 months would be more appropriate, although we still believe the case for action is unproven.	The Working Group believe that 24 months is appropriate. As stated above the Working Group will carry out an Impact Assessment to provide further

			analysis regarding the proposed solutions.
BUUK Infrastructure	Non-confidential	Yes	Noted.
EDF Energy Customers Limited	Non-confidential	Yes. We believe significantly reducing - or even removing - the payment history element of credit cover is appropriate because good payment history is not a positive indicator of creditworthiness and this is the category where losses are most likely to continue to be incurred. Reducing to 24 months – rather than removing entirely – will allow any new suppliers who are start-up businesses to have access to a form of credit cover if they are not otherwise able to obtain one (e.g. an independent credit assessment may not be viable until the first set of financial statements are available). Reducing to 24 months also aligns with (i) Ofgem's entry requirements in terms of assessing the financial viability of new entrants, and (ii) the equivalent UNC provision (and we see merit in having credit cover arrangements consistent across industry codes, where appropriate, to make it easier for suppliers to manage arrangements).	Noted.
Electricity North West	Non-confidential	As demonstrated by the example in the consultation document being able to build up 60 months of unsecured cover is too generous, consequently we believe the suggested reduction to 24 months to be reasonable.	Noted.
Haven Power Limited	Non-confidential	If DCP 349 is implemented, it is sensible to allow 24 months of Good Payment History otherwise it will deter new suppliers from entering the market.	Noted.

Northern Powergrid	Non-confidential	No we believe it should be reduced further. The main reason for us not agreeing with the proposed reduction is because over the course of RIIO-ED1 we have been impacted by 18 supply businesses going into liquidation, and had to take a provision that runs into the millions. If by reducing this term to 24 months, with an example cap of £15k for each month, we would have still been impacted by 14 out of the eighteen suppliers and that would also have still meant incurring significant debts. We would prefer if the value was reduced to a maximum of 12 months, as this would take into consideration seasonal variation.	Noted - The Working Groups position is that 24 months is appropriate. This provides new Suppliers an opportunity to publish two set of annual accounts which provides a solid platform for an independent assessment.
Opus Energy Limited	Non-confidential	We do not support the proposal but, should it progress to implementation, we agree with the Working Group's conclusion that a window of 24 months of unsecured credit cover should be sufficient for parties to establish an acceptable credit cover arrangement.	Noted.
Orbit Energy	Non-confidential	No. As set out in question 2 above we do not agree with the proposal to reduce credit cover as it will have a detrimental impact on the supplier market and restrict competition.	Noted.
SmartestEnergy	Non-confidential	We believe that smaller suppliers can have a variety of collateral structures in place with other suppliers providing them with access to market arrangements. When making a final decision on this proposal Ofgem need to be careful of applying additional obligations on small suppliers which may be in conflict with such arrangements. This could affect the ability for the other suppliers to offer market access arrangements and hence affect competition.	Noted.
SP Distribution	Non-confidential	Yes we agree with reducing the number of months to 24 from 60.	Noted.

/ SP Manweb			
SSE Energy Supply Limited	Non-confidential	We do not agree with this proposal.	Noted.
Western Power Distribution	Non-confidential	Yes	Noted.
People's Energy	Confidential	No, would propose a maximum of 36 months	Noted.
Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	Yes	Noted.
Working Group Conclusions: The Working Group notes the comments above. **The Working Groups position is that 24 months is appropriate. This provides new Suppliers an opportunity to publish two set of annual accounts which provides a solid platform for an independent assessment.**			

Company	Confidential / Anonymous	4. Do you agree that a six months transitional period for Suppliers to put in place their independently assessed secured cover arrangements?	Working Group Comments
Bristol Energy	Non-confidential	No. Most suppliers have prepared and agreed their 2020/21 business plan with their funders based on the current arrangements. We believe a start date of April 2021 would be more appropriate. Additionally, there are additional proposals from both NGESO and Ofgem that will also increase suppliers credit collateral requirements. The cumulative effect of these requirements over a short space of time may, for several suppliers, be difficult to fund, leading to further suppliers exiting the market either by trade sale or failure.	Noted.
BUUK Infrastructure	Non-confidential	Yes	Noted.
EDF Energy Customers Limited	Non-confidential	Yes, we believe 6 months (maximum) is appropriate; it should not be longer because suppliers will have known for the prior 2 years that they will need to transition to new arrangements, it wouldn't be unexpected and they should be planning for that.	Noted.
Electricity North West	Non-confidential	Six months does seem a reasonable length of time for a Supplier to transition its Cover arrangements and it will be useful to see views from Supplier Parties on this.	Noted.
Haven Power Limited	Non-confidential	Yes	Noted.

Northern Powergrid	Non-confidential	No, we would prefer three months. This is based upon evidence of how quickly suppliers can go into liquidation (e.g. between July 2018 to December 2018 eight suppliers failed).	Noted.
Opus Energy Limited	Non-confidential	Yes.	Noted.
Orbit Energy	Non-confidential	No. A minimum of 12 months is required between notification of the reduction of the unsecured credit available to suppliers and the new arrangements taking effect.	Noted.
SmartestEnergy	Non-confidential	Yes	Noted.
SP Distribution / SP Manweb	Non-confidential	Yes we agree that there should be a six months transitional period for Suppliers to put in place their independently assessed secured cover arrangements.	Noted.
SSE Energy Supply Limited	Non-confidential	No. We believe that this period is significantly too short.	Noted.
Western Power Distribution	Non-confidential	Yes	Noted.
People's Energy	Confidential	N/A re the proposal response.	Noted.

Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	Yes	Noted.
Working Group Conclusions: The Working Groups position is that 6 months is a reasonable transitional period. It should be noted that this transitional period is in relation to when a Supply has build up their 24 months good payment.			

Company	Confidential / Anonymous	5. Do you agree with the introduction of a common good payment performance matrix in paragraph 4.7?	Working Group Comments
Bristol Energy	Non-confidential	Yes. We agree with this but feel that there should be a grace period of 1WD, to cover events which suppliers cannot control such as an error by the banking system, or an internal system or process failure that prevents a supplier making payment.	Noted – the Working Group believe there is already sufficient grace in the proposed matrix.
BUUK Infrastructure	Non-confidential	Yes	Noted.

EDF Energy Customers Limited	Non-confidential	We do not have strong views on this but do not understand why there should be any grace given for missing payments when this form of credit cover is specifically designed to reflect good payment behaviour. This proposal would also depart from the other industry codes that have similar credit cover arrangements, and it would introduce a new element for DNOs to administer (which is less efficient). However, if it is to be introduced, then we would expect that all DNOs consistently adhere to it, and we recommend that the age of debt categories be changed from "1 to 3" to "1 to 2" and from ">4" to "3 and above" (note: the current drafting doesn't seem to factor in 4 days at all anyway).	Noted.
Electricity North West	Non-confidential	The current process following late payment of an invoice is that a good payment record is lost, it does seem a more pragmatic approach to provide clarity and consider the value/age of the debt but only up to a point. The graduated approach may also give a signal of potential issues ahead for a supplier.	Noted.
Haven Power Limited	Non-confidential	Yes	Noted.
Northern Powergrid	Non-confidential	Yes.	Noted.
Opus Energy Limited	Non-confidential	Yes.	Noted
Orbit Energy	Non-confidential	No. As stated above we do not agree with these proposals. Good Payment History should not be substantially affected by a late payment of a couple days, but by failure to pay a bill for a significant period of time. We do not see the need for such a	The Working Groups position is that there are already 14 days to make the payment

		process and the existing flexible process where the DNO can take account of the circumstances of any late payment should continue to be utilised. Especially where only one DNO accepts Direct Debit as a form of payment method. This means suppliers must make BACs payments which introduces a higher risk of process error. Although all reasonable steps can be taken to reduce this error, it is still present. Therefore, Direct Debit is our preferred payment method due to the low risk in any process error however the only DNO to accept Direct Debit as a form of payment is Western Power.	The comment regarding preferred method of payment has been noted but is out of scope of this CP.
SmartestEnergy	Non-confidential	A common good payment performance matrix per se seems like a sensible approach. However, we would observe that the matrix as given is a bit tight.	Noted.
SP Distribution / SP Manweb	Non-confidential	Yes we agree with the introduction of a common good payment performance matrix.	Noted.
SSE Energy Supply Limited	Non-confidential	No, as we don't agree with the proposal. Also, by introducing a common good payment performance matrix, the proposer is undermining their own argument that credit should be tightened.	Noted.
Western Power Distribution	Non-confidential	Yes	Noted.
People's Energy	Confidential	N/A	Noted.

Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	On reflection, SSEN prefers the current arrangement.	Noted.
The Working Group Conclusions: The Working Groups noted that the majority position is that the good payment performance matrix is an appropriate method to use.			

Company	Confidential / Anonymous	6. Do you agree with the proposed method of setting the User's Credit Allowance in paragraph 4.10?	Working Group Comments
Bristol Energy	Non-confidential	Without any evidence from the work group of the likely credit allowance a company may receive and what factors will cause an increase or decrease in a credit allowance then it is difficult to make an assessment. We believe the working group needs to do more work in this area, perhaps by getting evidence from transporters as to how it is applied in the gas market. There is also no indication if, by applying Independent credit assessment to DNO costs, it could reduce the credit levels suppliers can achieve with gas transporters, as applying the same credit limit across more counterparties could reduce the credit limit per counter-party to keep the total exposure the same.	Noted.

BUUK Infrastructure	Non-confidential	Yes	Noted.
EDF Energy Customers Limited	Non-confidential	Yes, we agree with the proposal to take the lower of: (i) the credit limit recommended in the independent credit assessment, and (ii) the credit allowance that is obtained by using the independent credit assessment score to apply the relevant credit allowance factor. We note this would align with a change that was implemented for the UNC and this would seem appropriate. Independent credit assessments are specifically designed as indicators of creditworthiness and are more robust than payment history; however, it is counter-intuitive to use the credit allowance arising out of an independent credit assessment score applied to the relevant credit allowance factor, if the credit agency has specifically recommended a lower credit limit for that supplier.	Noted.
Electricity North West	Non-confidential	This is a far more appropriate method as it will take into consideration the actual credit allowance being provided for by an independent credit assessment, which as the consultation document highlights is a principle used under the Uniform Network Code. Many suppliers are dual fuel and Ofgem's consolidation of retail code arrangements also supports a move towards standardisation across DCUSA and UNC in this regard.	Noted.
Haven Power Limited	Non-confidential	No. We believe the current arrangements are fit for purpose and there is no need to revise them. CMP 311 identified that the predominant risk is associated with Good Payment History and not the Independent Credit Assessment. We see no reason why this should be any different under DCUSA.	Noted.

Northern Powergrid	Non-confidential	Yes.	Noted.
Opus Energy Limited	Non-confidential	No. We do not believe that DCP349 better facilitates the DCUSA objectives because we believe that existing arrangements are fit for purpose. Ofgem's consultations have included proposals to review and enhance requirements for market entry and should present the opportunity to review any potential defects.	Noted.
Orbit Energy	Non-confidential	No. These proposals will inevitably restrict the amount of credit cover that some suppliers can access and so limit the ability of smaller suppliers to operate in the market.	Noted.
SmartestEnergy	Non-confidential	These arrangements as written would have the consequence that a supplier who is just a couple of days late due to minor operational issues would lose all their previously built-up credit. A sliding scale rule would be better i.e. lose two months for every one day late.	Noted
SP Distribution / SP Manweb	Non-confidential	Yes we agree with the proposed method of setting the User's Credit Allowance.	Noted.
SSE Energy Supply Limited	Non-confidential	It is crucial that Schedule 1: Provision of Cover. Section 2.4 "Where the User has a Credit rating from an Approved Credit Referencing Agency" is not altered in any way. The proposed solution, when first discussed last year, related to aligning the DCUSA with the UNC, that is, only Section 2.5 "Where the User does not have a Credit Rating from an Approved Credit Referencing Agency" would be subject to the "no higher than the lower of" Limit. The Proposal Legal Text itself also has this original meaning and effect and so we	Noted.

		interpret the following Proposal text as a mistake, but would like clarification on it. This Proposal incorrectly says "Approved Credit Referencing Agency" in 4.9 when it should really say "Recognised Credit Assessment Agency". In doing so it then applies the "solution" of 4.10 to both Investment Grade and Independent Credit Allowances. 4.9. The current process for calculating a User's Credit Allowance provides for a Credit Allowance Factor to be applied to the Credit Rating from an Approved Credit Referencing Agency which results in a significant increase to the overall credit provision. 4.10. To address the issue in paragraph 4.9 the Working Group concluded that, once a User has received an Independent Credit Assessment, it will adopt the following when setting the User's Credit Allowance:	
Western Power Distribution	Non-confidential	Yes	Noted.
People's Energy	Confidential	N/A	Noted.
Scottish Hydro Electric Power Distribution plc and Southern	Non-confidential	Yes. The Current arrangement is inflexible and can afford inappropriately high credit allowances.	Noted.

Electric Power Distribution plc			
Working Group Conclusions: The Working Groups notes the comments received in this consultation. The Working Group will undertake an impact assessment to further understand the implications of this proposed solution.			

Company	Confidential / Anonymous	7. What impact do you believe this change would have on the customer?	Working Group Comments
Bristol Energy	Non-confidential	This change will lead to an increase in customer bills and a reduction of choice of supplier by increasing barriers to entry.	Noted.
BUUK Infrastructure	Non-confidential	BUUK does not anticipate any impact to the customer. This change is focussed on the relationship between Suppliers and Distributors in the management and use, of credit arrangements.	Noted.
EDF Energy Customers Limited	Non-confidential	We do not have the individual supplier data, e.g. on who is using payment history, to be able to quantify the financial impact of this proposal on customers; that is something DNOs will be closer to. In principle though, we believe the impact should be positive because the proposal should reduce the amount of losses arising from supplier defaults that would otherwise ultimately be passed on to customers. Whilst the proposal may lead to some increased credit cover costs for certain suppliers - for example, if independent credit assessment is not available to them - we feel the proposal is fair because a supplier’s access to (and cost of) other credit arrangements should better reflect its creditworthiness and the risk it imposes on the system. We also feel that customers	Noted.

		would probably be more engaged in the industry if they felt it was working effectively.	
Electricity North West	Non-confidential	We expect this change to improve the overall customer experience because of less supply business failures due to the strengthening of the criteria around the provision of unsecured cover, complementing the work Ofgem has undertaken to strengthen the application process for new supply businesses.	Noted.
Haven Power Limited	Non-confidential	We believe implementing DCP 349 will limit competition as new suppliers will find it harder to enter the market. This will be detrimental to competition generally and breach the General objective 3.1.2 and charging Objective 3.2.2. This change could lead to higher prices as existing suppliers will have to lodge additional credit cover, the additional cost of which will be passed to consumers. In effect current and future consumers will be paying increased costs (and have reduced competition) for a less efficient method of credit cover than is currently in place and which may not decrease the risk of supplier failure.	Noted.
Northern Powergrid	Non-confidential	It would mitigate some of the risk of a disproportionate increase in Use of System (UoS) charges, with use of system bad debt socialised across all metered demand customers via allowed distribution network revenue. However, if a 'very large supplier' went into liquidation then these changes may not be strong enough to hold off a material effect on the customer. In such instance, however, we would expect the supplier to be subject to an Energy Supply Administration Order, in accordance with Section 96 of the Energy Act 2011. This basically means that the company is potentially bailed out and does not enter SoLR proceedings, but it is not guaranteed.	Noted.

Opus Energy Limited	Non-confidential	This proposal could require new market entrants to cover costs of an Independent Credit Assessment which could act as a barrier to market entry. This would have a negative impact on competition (DCUSA General Objective 2). In line with our response to Q2, if approved, DCP 349 could result in Suppliers passing onto customers the costs of any additional credit cover lodged.	Noted.
Orbit Energy	Non-confidential	This modification will impede competition in the market by restricting the number of new entrants and forcing some existing parties out. This will restrict customer choice. In addition tying up large amounts of working capital to address these new requirements will reduce the ability for suppliers to bring new and potentially innovative products to the market. This modification will therefore reduce customer choice and impede innovative energy products from small suppliers whilst providing an advantage to larger suppliers.	Noted.
SmartestEnergy	Non-confidential	For your average sticky customer who is and never has been interested in switching these proposals have a theoretical benefit in that industry costs should not be so high and therefore not implicitly passed through. For customers looking to take advantage of innovative, competitive suppliers there would undoubtedly be a negative impact.	Noted.
SP Distribution / SP Manweb	Non-confidential	Potentially suppliers may find it difficult to obtain forms collateral after two years.	Noted.

SSE Energy Supply Limited	Non-confidential	We believe that this change would have a detrimental impact on the customer as it will lead to less competition as it could push some suppliers out of the market and prevent other potential new suppliers from entering it. Also, it could increase costs for some suppliers which could potentially lead to an increase in tariffs for some customers.	Noted.
Western Power Distribution	Non-confidential	This will have a positive effect on the customer because, in the event of a supplier failure, the bad debt losses incurred by the DNO that are recovered through increased DUoS and therefore passed on to the customer would be reduced.	Noted.
People's Energy	Confidential	If the proposed changes negatively impact the cash / working capital position of new suppliers, it could put good viable businesses in jeopardy. This will ultimately harm customers as competition will be limited longer term with SOLR impacts in the short term..	Noted.
Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	Tightening Supplier Credit arrangements should reduce the amount of bad debt that might be passed through to customers following a Supplier failure.	Noted.
Working Group Conclusions: As stated above the Working Group will carry out an impact assessment to further analysis the likely impacts of this change on the customer.			

Company	Confidential / Anonymous	8. FOR DNO PARTIES: How many Suppliers use a good payment record as the only form of cover:	Working Group Comments
Bristol Energy	Non-confidential	N/A	Noted.
BUUK Infrastructure	Non-confidential	Unknown	Noted.
EDF Energy Customers Limited	Non-confidential	Not applicable.	Noted.
Electricity North West	Non-confidential	There are currently 32 Suppliers within our distribution services area using a good payment record as the only form of cover. A further 44 Suppliers use a good payment record to form part of their cover arrangements.	Noted.
Haven Power Limited	Non-confidential		Noted.
Northern Powergrid	Non-confidential	We have over 100 suppliers operating in each of their Distribution Service Areas, and ~25% of these use good payment performance as their only method of covering their Value at Risk.	Noted.
Opus Energy Limited	Non-confidential		Noted.

Orbit Energy	Non-confidential	N/A	Noted.
SmartestEnergy	Non-confidential	N/A	Noted.
SP Distribution / SP Manweb	Non-confidential	Approximately 60 suppliers use GPH as the only form of cover.	Noted.
SSE Energy Supply Limited	Non-confidential	N/A	Noted.
Western Power Distribution	Non-confidential	36 different suppliers across our 4 DNO areas, but this can change month on month.	Noted.
People's Energy	Confidential	N/A	Noted.
Scottish Hydro Electric Power Distribution plc and Southern Electric Power	Non-confidential	Across our two DSAs, approximately 50 Suppliers, with a further five using Payent Record + Other Security.	Noted.

Distribution plc			
Working Groups Conclusions: The Working Group noted the number of Suppliers using good payment history as their only form of cover. The impact assessment will provide further analysis on the risks posed by Supplier failure.			

Company	Confidential / Anonymous	9. FOR SUPPLIER PARTIES: What impact do you believe this change would have on Suppliers entering the market?	Working Group Comments
Bristol Energy	Non-confidential	We believe this proposal will create a barrier to entry and to growth. This may preclude financially sound businesses with innovative approaches from reaching the market, or if they do enter, then they may be unable to grow to the scale they need to be profitable and thus increase the risk of them failing at the 24-month cutover.	Noted.
BUUK Infrastructure	Non-confidential	N/A	Noted.
EDF Energy Customers Limited	Non-confidential	As the change would still allow up to 24 months of payment history allowance to be built up, the initial impact on suppliers entering the market should be minimal as suppliers will have time to consider alternative forms of credit cover at the end of that period (noting that 24 months should be sufficient to demonstrate their creditworthiness to an independent credit agency).	Noted.
Electricity North West	Non-confidential	Not applicable.	Noted.

Haven Power Limited	Non-confidential	As stated in our response to Q7, we believe implementing DCP 349 will limit competition as new suppliers will find it harder to enter the market. Suppliers will have to lodge additional credit cover and in addition to passing this cost on to consumers we believe implementing DCP 349 would stifle innovation in the market.	Noted.
Northern Powergrid	Non-confidential	N/A	Noted.
Opus Energy Limited	Non-confidential	In line with our response to Q7, we believe that this change would restrict competition because the requirement for Suppliers to lodge an increased level of credit cover would create a barrier to market entry.	Noted.
Orbit Energy	Non-confidential	This modification will have significant negative impacts on the market. The CMA Energy market investigation identified the significant negative impacts caused to competition by the existing credit burden on smaller suppliers, who must tie up significant levels of capital on an enduring basis to cover their exposure. Increasing the amount of credit required by suppliers for DCUSC at the time of entering the market will only exacerbate this issue and raise the barrier to entry further. It therefore will deter more new market entrants than otherwise would have been the case.	The Working group position is that reducing the amount of good payment history from 60 months to 24 does not create a barrier to the entry.
SmartestEnergy	Non-confidential	More stringent requirements are unlikely to deter new suppliers from entering the market but clearly will be one of many factors applying pressure to suppliers who are already struggling. To that extent, Ofgem will need to weigh up the competition smaller suppliers bring to the market against the additional security these arrangements provide. If Ofgem raise the bar for new entrants as	Noted.

		part of their Supplier Licensing Review, then this change may not be necessary.	
SP Distribution / SP Manweb	Non-confidential	N/A	
SSE Energy Supply Limited	Non-confidential	We believe that it would have the effect of lowering the number of suppliers entering the market and thus would have a detrimental impact on competition. Any suppliers entering the market would be likely to face increased costs as a result of this change.	Noted.
Western Power Distribution	Non-confidential	N/A	Noted.
People's Energy	Confidential	New entrant Suppliers may have a strong underlying business model but difficult to reach a position of financial stability in 24 months (and thus provide good credit score)	Noted.
Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	N/A	

Working Group Conclusions: The Working Groups majority position is that the amount of 24 months with the transitional period of 6 months is appropriate and does not deem as a barrier to customers.

Company	Confidential / Anonymous	10. FOR SUPPLIER PARTIES: What impact do you believe this change would have on existing Suppliers and what would be the costs to an existing Suppliers business?	Working Group Comments
Bristol Energy	Non-confidential	The impact of these proposals will be to reduce the ability of independent suppliers to grow and challenge the incumbents. There is also a risk the suppliers who currently pay all their bills on time but are unable to meet the new collateral requirements may exit the market. It is not clear what actions DNO's (and potentially Ofgem) will take if a supplier fails to provide collateral but pays its bills on time. What are the sanctions to a supplier who pays on time, but does not meet collateral requirements?	Provisions for this already exist in DCUSA where it states that a Suppliers MPAS Service is suspended as a result of not meeting collateral requirements.
BUUK Infrastructure	Non-confidential	N/A	Noted.
EDF Energy Customers Limited	Non-confidential	DNOs should have a better view on the first part of this question because they will be aware what forms of credit cover suppliers currently use in their specific areas, and how many currently rely on payment history. Suppliers will be aware of the cost of credit for their own business but not the cost for other suppliers. If a supplier is able to transition to an alternative unsecured form of cover, such as approved credit rating or independent credit assessment, then the cost may be very low or even zero. If a	Noted.

		supplier has to put up a secured form of credit cover as a result of the change, such as cash or a letter of credit, then the supplier will incur costs. These costs should, however, better reflect the risks that the individual suppliers place on the system.	
Electricity North West	Non-confidential	Not applicable.	Noted.
Haven Power Limited	Non-confidential	The comments for Q9 apply equally to existing Suppliers.	Noted.
Northern Powergrid	Non-confidential	N/A	Noted.
Opus Energy Limited	Non-confidential	In line with our response to Q9, we believe that the requirement for Suppliers to lodge an increased level of credit cover would also adversely impact existing Suppliers.	Noted.
Orbit Energy	Non-confidential	The cost to our organisation will be considerable as we will be required to obtain a LoC to cover the current unsecured credit requirements. Such costs are commercially confidential, but we would be happy to provide these costs to Ofgem- the costs will be in the region of £640k based on a 8% LoC (if LoC not available then estimate up to £8m of additional working capital required). Such a cost will have a significant negative impact in the short-term on our cashflow, and in the longer-term on our ability to operate in the market as a substantial proportion of our capital will be sterilised in maintaining this credit requirement.	The Working Group have noted the comments. Again, the Impact Assessment will help with this.

		We would expect that other suppliers will also be impacted in the same manner. There is also the potential for this additional requirement to push some suppliers, who are already struggling, out of the market.	
SmartestEnergy	Non-confidential	We estimate that a medium to large agency rated supplier will need to pay Libor + 3% so for every £1m LoC (assuming Libor = 0.8%) it would cost £1,000,000 x 0.038 = £38,000 per year. A non-rated entity should pay far more.	Noted.
SP Distribution / SP Manweb	Non-confidential		Noted.
SSE Energy Supply Limited	Non-confidential	We believe this change would have a detrimental effect on existing suppliers as it would raise the costs to many of them, which could lead to some exiting the market due to insolvency and which is the opposite effect of the aim of the change.	Noted.
Western Power Distribution	Non-confidential	N/A	Noted.
People's Energy	Confidential	The negative impact would be on cashflow. The cost therefore at best would relate to raising additional loan funding or equity investment. At worst this could place suppliers into financial difficulties.	Noted.
Scottish Hydro	Non-confidential	N/A	Noted.

Electric Power Distribution plc and Southern Electric Power Distribution plc			
Working Group Conclusions: The Working Groups position is that the 24-month period is appropriate. The impact assessment will provide further data for analysis against the proposed solutions.			

Company	Confidential/ Anonymous	11.Do you have any other comments on the proposed solutions for DCP 349?	Working Group Comments
Bristol Energy	Non-confidential	No.	Noted.
BUUK Infrastructure	Non-confidential	No	Noted.
EDF Energy Customers Limited	Non-confidential	No, nothing additional to what is already included elsewhere in this response.	Noted.
Electricity North West	Non-confidential	The areas identified for inclusion in the consultation process do seem to be the most appropriate.	Noted.

Haven Power Limited	Non-confidential	No	Noted.
Northern Powergrid	Non-confidential	We would prefer that a 'secured method' of credit cover is mandated for all suppliers rather than unsecured.	Noted.
Opus Energy Limited	Non-confidential	No.	Noted.
Orbit Energy	Non-confidential	Yes. We note that this change deviates from the existing Ofgem Credit Best Practice requirements. Ofgem has previously stated in CUSC working groups looking at this issue that their Best Practice Guidelines are still valid. Clarification should be sought from the regulator as soon as possible on this issue.	Noted.
SmartestEnergy	Non-confidential	No	Noted.
SP Distribution / SP Manweb	Non-confidential	No comments.	Noted.
SSE Energy Supply Limited	Non-confidential	No.	Noted.
Western Power Distribution	Non-confidential	No	Noted.

People's Energy	Confidential	The 6-month transitional period does not seem particularly helpful to relatively new suppliers.	The six-month transitional period would commence once a Supplier has built up 24 months of good payment history.
Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	None	Noted.
Working Group Conclusions: The Working Group noted the additional comments.			

Company	**Confidential / Anonymous**	**12. Do you have any other solutions you would like the Working Group to consider?**	**Working Group Comments**
Bristol Energy	Non-confidential	We would propose that if network companies are concerned then they should consider billing customers directly for UoS charges. They would then no longer have the risk of supplier failure. They would however, have the risk of customers failing to pay, which currently suppliers make good even if they do not recoup those costs from the customer.	Noted.

BUUK Infrastructure	Non-confidential	No	Noted.
EDF Energy Customers Limited	Non-confidential	No.	Noted.
Electricity North West	Non-confidential	We do not have any additional solutions for the Working Group to consider.	Noted.
Haven Power Limited	Non-confidential	Not at this time	Noted.
Northern Powergrid	Non-confidential	No.	Noted.
Opus Energy Limited	Non-confidential	No.	Noted.
Orbit Energy	Non-confidential		Noted.
SmartestEnergy	Non-confidential	No	Noted.
SP Distribution / SP Manweb	Non-confidential	No other solutions.	Noted.

SSE Energy Supply Limited	Non-confidential	No.	Noted.
Western Power Distribution	Non-confidential	No	Noted.
People's Energy	Confidential	Build the unsecured cover to 36 months (or 48 months) instead of 24 months	Noted.
Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	None	Noted.
Working Group Conclusions: The Working Groups notes the comments above. The position of the Working Group is that reducing the good payment history from 60 months to 24 is appropriate.			

Company	**Confidential / Anonymous**	**13.Do you have any comments on the proposed legal text?**	**Working Group Comments**

Bristol Energy	Non-confidential	No.	Noted.
BUUK Infrastructure	Non-confidential	Within clause 2.14(c), and the table within, the value of debt percentage “>25% and <74%” should in fact read “>25% and <75%”. This will ensure continuity with the rest of the table, and that any gaps are covered.	Noted.
EDF Energy Customers Limited	Non-confidential	Yes, as follows: (i) we think it may be more appropriate to have the additional wording proposed for paragraph 2.11 in a stand-alone paragraph. Paragraph 2.11 relates to additional credit assessments whereas we assume the intention is for the additional wording to apply to all credit assessments, whether initial or additional. Therefore, having that wording in a new paragraph 2.12 that specifically refers to the relevant preceding clauses would be better; (ii) in paragraph 2.13, the second instance of “consecutive” should be moved to immediately after “24” and the terms “credit rating” and “independent credit assessment” can be capitalised as they are defined later in Schedule 1; (iii) for paragraph 2.14(c), please see our general comments in the response to question 5 above, which would imply some changes are required; (iv) in either of paragraphs 2.13 or 2.14 does there need to be some wording that makes it clear that if you build up, for example, 6 months of good payment history then lose 50% of that (so effectively lose 3 months) then you can only build back up to an aggregate of 24 months of good payment history, you can’t have the remaining (i.e. reduced) 3 months plus a further 24 consecutive months?;	Noted – The Working Group will further review the legal text.

		(v) in paragraph 3.2, does (b) need to reflect that it could be the credit value recommended within the Independent Credit Assessment that has dropped i.e. it may not be the Credit Allowance Factor that has actually decreased?	
Electricity North West	Non-confidential	We believe that the legal text as drafted will deliver the intent of DCP 349.	Noted.
Haven Power Limited	Non-confidential	No	Noted.
Northern Powergrid	Non-confidential	No.	Noted.
Opus Energy Limited	Non-confidential	No.	Noted.
Orbit Energy	Non-confidential	We have not reviewed the legal text.	Noted.
SmartestEnergy	Non-confidential	No	Noted.
SP Distribution / SP Manweb	Non-confidential	No comments.	Noted.

SSE Energy Supply Limited	Non-confidential	No.	Noted.
Western Power Distribution	Non-confidential	No	Noted.
People's Energy	Confidential	(No Comments)	Noted.
Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	No	Noted.
Working Group Conclusions: The Working Group will review the legal text, once the impact assessment has been completed and the proposed solution has been finalised.			

Company	**Confidential / Anonymous**	**14. Do you believe that the DCUSA General objectives are better facilitated by this CP. Please provide your rationale?**	**Working Group Comments**

Bristol Energy	Non-confidential	No. The CP will have a negative impact on Objective two by raising a significant barrier to independent suppliers to the benefit of the incumbent suppliers. We also believe it will have a negative effect on objective 4 as it will complicate the credit collateral arrangements. It is also neutral on objective 3 as the impact is the same on DNOs and IDNOs but shuffles the risk differently across suppliers.	Noted.
BUUK Infrastructure	Non-confidential	Yes, the proposed change successfully meets the intent and will provide measures which will help mitigate the financial risk associated with supply business failures. Also, by improving the general efficiency of the DCUSA and application of Distributor party obligations.	Noted.
EDF Energy Customers Limited	Non-confidential	Yes – see below: Objective 1: no impact. Objective 2: on balance, we feel the impact is positive because we believe reducing the use of payment history - and the potentially resulting increased use of independent credit assessments - should mean that the form of cover provided is more indicative of a supplier's creditworthiness. This is more likely to ensure suppliers bear their appropriate share of the risks, it may also improve the sustainability and quality of the supplier pool in the longer run, and that could help improve consumer engagement and ultimately therefore lead to more effective competition. Objective 3: we feel the impact is positive because reducing the payment history allowance should reduce losses, losses that would otherwise be claimed back from non-defaulting suppliers and ultimately consumers later down the line (i.e. which would mean an	Noted.

		extended process to reclaim those losses, as well as increased costs associated with working capital). Objective 4: we believe reducing payment history allowances from 5 to 2 years will be more efficient in terms of administration. We believe the introduction of a good payment behaviour matrix may, in itself, be less efficient but acknowledge that this depends on the current approach of DNOs (i.e. if the response of DNOs to payment failure currently involves multiple discussions with the relevant supplier, rather than following the provisions of the current DCUSA as stated, then the new matrix may improve efficiency if strictly adhered to by all DNOs). Objective 5: no impact.	
Electricity North West	Non-confidential	In strengthening and streamlining the obligations around the provision of unsecured cover the risk associated with supply business failures is reduced, together with the risk of increased socialised costs for customers being reduced by this change. This increases the efficient discharge of obligations and indeed efficiency in the implementation of the DCUSA. Consequently, we believe DCUSA General Objectives 3 and 4 will be better facilitated by this change proposal.	Noted.
Haven Power Limited	Non-confidential	No. DCUSA General Objective 2 is not better facilitated by this proposal for the reasons given in our response to Q7. We believe the extra costs incurred by Suppliers to meet increased credit cover requirements will stifle competition and innovation in the market.	Noted.
Northern Powergrid	Non-confidential	Yes, it better meets objectives 3 and 4 in that it promotes the efficient discharge of obligations contained within Schedule1 and in the implementation and administration of the DCUSA.	Noted.

Opus Energy Limited	Non-confidential	No. We believe that the requirement for Suppliers to lodge an increased level of credit cover would have an adverse impact on competition and so, in line with our response to Q7 would not better facilitate DCUSA General Objective 2.	Noted.
Orbit Energy	Non-confidential	No. This modification, if implemented will have a significant negative impact on electricity suppliers and will damage retail competition for no appreciable market benefit. It will therefore have a negative impact on general objective 4, which will substantially outweigh any marginal positive impacts on general objective 3. Please see our response to question 2 for our reasoning.	Noted.
SmartestEnergy	Non-confidential	No	Noted.
SP Distribution / SP Manweb	Non-confidential	Yes we believe that the DCUSA General objectives are better facilitated for the reasons detailed in the CP.	Noted.
SSE Energy Supply Limited	Non-confidential	No. We do not believe that any DCUSA General Objectives are better facilitated by this CP.	Noted.
Western Power Distribution	Non-confidential	I agree with the Working Group that this proposal better facilitates General Objectives 3 & 4 and for the same reasons.	Noted.
People's Energy	Confidential	(No comments)	Noted.

Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	Agree with the Working Group that DCUA General Objectives 3 and 4 are better facilitated by DCP 349.	Noted.
Working Group Conclusions: The Working Groups position is to re-look at the DCUSA general objectives once the Impact Assessment has been carried out and the proposed solution has been finalised.			

Company	**Confidential / Anonymous**	**15.Are you aware of any wider industry developments that may impact upon or be impacted by this CP?**	**Working Group Comments**
Bristol Energy	Non-confidential	Ofgem Supplier Licence Review reforms will have an impact, as will current proposals by the ESO to change collateral requirements for TNUoS. The combined change of all 3 pieces of work seriously threaten the financial wellbeing of suppliers. Additionally, Ofgem's targeted charging review and proposals to change the basis of DUoS charging will also have an impact. Ofgem's faster switching programme also has an impact as it means a supplier's liability may change more quickly and credit allowances will be more difficult to manage.	The Working Group believe that this change compliments Ofgem's review. The Working Group will ensure that appropriate consideration is taken in regard to other industry developments.

BUUK Infrastructure	Non-confidential	IGT132 under the IGT UNC has been raised to provide IGTs with the option to apply credit arrangements with Shippers. The initial drafting is based partly on DCUSA Schedule 1 obligations, and on the assumption that DCP 349 is approved. Should details from this change proposal alter, these should be captured and communicated for consistency across the industry. However, note that the IGT UNC change is not dependent on the DCUSA and instead aimed solely for reference.	The Working Group agreed for the Secretariat to make initial contact with IGT UNC regarding their change (IGT132) to check for cross-code implications. This information will be fed back to the group.
EDF Energy Customers Limited	Non-confidential	Yes. NGESO's proposed CUSC CMP311 Modification is seeking to remove payment history in its entirety as a form of unsecured credit cover, with a potential WACM to be forthcoming from a particular supplier to instead reduce payment history to 2 years (instead of 5), which is similar to this DCUSA CP. Ofgem's ongoing Supplier Licensing Review work is also considering credit cover, with the direction of travel seemingly being to ensure suppliers take their fair share of the risks they impose on the system e.g. by potentially extending the use of credit cover arrangements.	Noted.
Electricity North West	Non-confidential	Apart from the work undertaken by Ofgem within its Supplier Licensing Review we are not aware of any wider industry developments that may affect this change proposal.	Noted.
Haven Power Limited	Non-confidential	As stated earlier, DCP 349 seems out of step with CMP 311 which is more advanced and looks at the same issue under a different Industry Code. National Grid ESO have highlighted that the TCR may result in a CUSC modification being raised to further revise Credit Cover requirements. This may be the case with DCUSA too	Noted.

		so we believe the further development of this modification proposal is not a good use of industry resource at this time.	
Northern Powergrid	Non-confidential	No.	Noted.
Opus Energy Limited	Non-confidential	DCP349 appears to be the DCUSA equivalent of CUSC modification CMP311.	Noted.
Orbit Energy	Non-confidential	Yes. • The Supplier Licensing Review has significantly increased the entry criteria for new entrant suppliers, which we believe has resolved the issue of poorly-resourced suppliers entering the market. • The ongoing proposals in the Supplier Licensing Review will, if implemented, create additional credit costs for domestic suppliers. • A number of additional changes are being progressed in other industry codes (such as CUSC) which seek to reduce the amount of unsecured credit cover that a supplier can utilise. Taken together these changes, if implemented alongside this change proposal, will significantly increase the amount of credit cover that suppliers will need to lodge with industry parties. This will be particularly detrimental to smaller suppliers who will not be able to obtain unsecured credit, so favouring larger suppliers to the detriment of new entrants.	Noted.

SmartestEnergy	Non-confidential	This CP is not unrelated to Ofgem's Supplier Licensing Review.	Noted.
SP Distribution / SP Manweb	Non-confidential	We are not aware of any wider industry developments that may impact upon or be impacted by this CP.	Noted.
SSE Energy Supply Limited	Non-confidential	No.	Noted.
Western Power Distribution	Non-confidential	No	Noted.
People's Energy	Confidential	Potential failure of viable small, growing Suppliers reducing competition. A number of other industry initiatives may also require additional reserves which may further impact.	Noted.
Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	No	Noted.

Working Group Conclusions: The Working Groups will ensure it considers the other industry developments stated above and will provide appropriate commentary within the Change Report to demonstrate their considerations.

Company	Confidential / Anonymous	16. What are your views regarding implementation of this change, should it be applied retrospectively or not? Please provide reasons.	Working Group Comments
Bristol Energy	Non-confidential	We believe that existing suppliers will need more time to implement these proposals. Most suppliers have prepared and agreed their 2020/21 business plan with their funders based on the current arrangements. We believe a start date of April 2021 would be more appropriate	Noted.
BUUK Infrastructure	Non-confidential	To ease the transition, it is recommended that a retrospective approach is not pursued. This will limit the administrative burden of such a task and allow a clear date and deadline of transition to the new arrangements. Any parties who have passed the 24-month window, but not exceeded the old 60-month approach, should be treated by the new provisions going forwards, rather than making retrospective amendments which present possible risks to the accuracy of arrangements put in place.	Noted.
EDF Energy Customers Limited	Non-confidential	We believe the change should be implemented on all classes of supplier in the same way and with the same grace periods being applicable. New entrants should be able to build good payment history allowance up to the maximum 2 years and then transition to new arrangements within 6 months. Suppliers that have already built up at least 2 years in good payment history should be given 6 months to transition to new arrangements.	Noted.

Electricity North West	Non-confidential	We do not believe this change should be implemented retrospectively. It would seem simpler for Suppliers that have already achieved 24 months good payment history when this change is implemented to then make arrangements, during the six months transitional period, to move to independently assessed cover.	Noted.
Haven Power Limited	Non-confidential	We do not support this change but if it were implemented it should not be retrospective as this would be detrimental to new Small Suppliers entering the market.	Noted.
Northern Powergrid	Non-confidential	We would be in favour of applying this retrospectively as it would accelerate the mitigation in limiting the exposure of the DNO's at the earliest opportunity rather than waiting until June.	Noted.
Opus Energy Limited	Non-confidential	We do not support the proposal and believe that applying it retrospectively would increase the detriment to Suppliers, in particular to smaller market entrants.	Noted.
Orbit Energy	Non-confidential	No. As started above we do not support this change owing to the negative impact it will have on suppliers. Applying it retrospectively, so effectively removing existing credit cover that many suppliers will be relying upon, will penalise those suppliers by increasing their credit requirements significantly at short notice. This is disproportionate as these suppliers have been operating successfully in the market without any concern and to do so will favour large incumbent suppliers who can easily accommodate additional credit requirements at short notice.	Noted.
SmartestEnergy	Non-confidential	No. It would help to prevent shocks to implement non-retrospectively.	Noted.

SP Distribution / SP Manweb	Non-confidential	We believe that this change should be applied retrospectively, so that all suppliers, existing and new will be treated the same.	Noted.
SSE Energy Supply Limited	Non-confidential	The change should not be applied retrospectively as suppliers have made commercial decisions on the rules in place at the time and any retrospective changes could have significant negative financial consequences for some suppliers.	Noted.
Western Power Distribution	Non-confidential	We think it should be applied retrospective as the notice period for implementation should allow all affected parties sufficient preparation time.	Noted.
People's Energy	Confidential	The PeoplesEnergy view is that this should not impact existing suppliers (who should continue to get 60 months of unsecured cover based on good payment history); if implemented it should only affect new entrants.	Noted.
Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	This change should apply equally to all Suppliers, so retrospective implementation would be required. The notice period is sufficient to allow affected Suppliers time time to get necessary arrangements in place.	Noted.

Working Group Comments: The Working Groups majority position is that they are in favour that a retrospective approach is taken, but on the condition, there is enough guidance for the Suppliers to follow and sufficient time to make the transition. It should be noted that the six months transitional period would start from the time this change is released in DCUSA and therefore DNOs can make contact with affected Suppliers before the six months transition starts.

Company	Confidential / Anonymous	17.Do you agree with the proposed implementation date?	Working Group Comments
Bristol Energy	Non-confidential	No. We need until April 2021 to make the necessary change to our financial support.	Noted.
BUUK Infrastructure	Non-confidential	Yes	Noted.
EDF Energy Customers Limited	Non-confidential	Yes, a June 2020 release seems reasonable to us.	Noted.
Electricity North West	Non-confidential	Targeting the Jun-20 Release for implementation is reasonable.	Noted.
Haven Power Limited	Non-confidential	No. The unanimous opinion of the Workgroup for CMP 311 was that if approved the change would be implemented the first full charging year after approval. Given that this change is potentially much higher in materiality it seems this approach is more appropriate.	Noted.
Northern Powergrid	Non-confidential	Yes but only if the answer to question 16 cannot be agreed.	Noted.

Opus Energy Limited	Non-confidential	No. We understand that the opinion of the Workgroup for the equivalent CUSC modification CMP311 (as referenced in our response to Q15) was that the change should be implemented no earlier than the first full charging year following approval. We believe that the same rationale should apply to DCP349.	Noted.
Orbit Energy	Non-confidential	No. The implementation date of June 2020 does not provide sufficient time for suppliers, particular smaller or new entrant suppliers, to source alternative sources of credit. As we have stated above in question 4, a minimum of 12 months is required between notification of the reduction of the unsecured credit available to suppliers and the new arrangements taking effect.	Noted.
SmartestEnergy	Non-confidential	No	Noted.
SP Distribution / SP Manweb	Non-confidential	Yes we agree with the proposed implementation date of June 2020	Noted.
SSE Energy Supply Limited	Non-confidential	No. The Implementation date is far too soon.	Noted.
Western Power Distribution	Non-confidential	Yes	Noted.
People's Energy	Confidential	(No comments)	Noted.

Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	Yes	Noted.
Working Group Conclusions: The Working Groups position is to revise the implementation date once the solution has been further defined in regard to an Impact Assessment and considering the retrospective ruling.			

Company	**Confidential / Anonymous**	**18.Do you have any other comments?**	**Working Group Comments**
Bristol Energy	Non-confidential	We firmly believe that the additional costs across the industry over the long term will be significantly more than the cost of mutualising the unpaid DUoS invoices of failed suppliers. We note that there is no impact assessment looking at the long-term cost/benefit provided with this consultation and believe this should be done otherwise Ofgem will have insufficient evidence to approve this change.	The Working Group stated that further analysis will be carried out based on the proposed solutions.
BUUK Infrastructure	Non-confidential	No	Noted.

EDF Energy Customers Limited	Non-confidential	No.	Noted.
Electricity North West	Non-confidential	Just to highlight that it does tend to be the most vulnerable customers that do not change supplier, so could be these customers who are most affected when a supply business fails. Ofgem's work on the Supplier Licensing Review and this change proposal are trying to prevent customers finding that they have appointed an unviable supply business and the costs of this being borne by other customers.	Noted.
Haven Power Limited	Non-confidential	No	Noted.
Northern Powergrid	Non-confidential	No.	Noted.
Opus Energy Limited	Non-confidential	No.	Noted.
Orbit Energy	Non-confidential	No	Noted.
SmartestEnergy	Non-confidential	No	Noted.
SP Distribution	Non-confidential	To ensure that it is clear how this change will apply to existing suppliers. We believe that it should apply to existing suppliers too but if not then the legal text needs to include existing and new	Noted.

/ SP Manweb		suppliers (both requiring another form of collateral after six months – this currently isn't specified in DCUSA).	
SSE Energy Supply Limited	Non-confidential	In 7.1 the Proposer suggests that Ofgem's SLR will mean increased disclosure of financial details – that Networks can use to judge how much credit to allow. It cannot be that individual Networks are making ad hoc decisions in this field. This must sit within the code.	Noted.
Western Power Distribution	Non-confidential	No	Noted.
People's Energy	Confidential	(No comments)	Noted.
Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	No	Noted.
Working Group Conclusions: The Working Groups position is that the change needs to have an Impact Assessment to gain further information for analysis against the proposed solutions. Once this work has been completed the Working Group will further define the proposed solutions and consider whether a second consultation is necessary.			