

DCP 413 Working Group - Meeting 01

23 November 2022 at 10:00 - Web-Conference

Attendee	Company
Working Group Members	
Andrew Sherry [AS]	ENWL
Donald Preston [DP]	SSE
Karl Maryon [KM]	DRAX
Laura Quinn [LQ]	SPEN
Peter Waymont [PW]	UKPN
Richard Ellis [RE]	National Grid
Code Administrator	
Andy Green [AG] (Chair)	ElectraLink
Mel Kendal [MK] (Technical Secretariat)	ElectraLink
Apologies	
Christine Austin [CA]	ENWL

1. Administration

- 1.1 The Working Group reviewed the “Competition Law Guidance” and “Terms of Reference”. All Working Group members agreed to be bound by the Competition Law Guidance for the duration of the meeting and agreed to the Terms of Reference.
- 1.2 An action log has been created and all updates are provided in **Appendix A**.

2. Purpose of the Meeting

- 2.1 The Chair explained that the purpose of this meeting is to review and discuss the DCP 413 Change Proposal within the Working Group and agree next steps.

3. Overview of DCP 413

- 3.1 The Chair introduced the proposer (AS alternate to CA) to provide an overview of the CP to the Working Group.
- 3.2 The purpose of this CP is to ensure the User's Credit Allowance better reflects the risk.
- 3.3 This change was in the original draft of DCP 349 'Effectiveness of the current provision of unsecured cover under Schedule 1', but the working group agreed to remove this element as the risk at the time was predominantly associated with Good Payment History.
- 3.4 The industry has again seen many supply businesses fail resulting in customers paying the socialised costs. One failed supply business was deemed to be so large that a Special Administration Regime had to be invoked essentially 'nationalising' the business until a buyer can be found, which again increases the burden on customers.
- 3.5 These failures are more to do with how the businesses have been managed with some suppliers having to appear before a Select Committee of MPs to explain the failures.
- 3.6 Additionally, taking into consideration the rising energy costs together with inflation supports the need to protect customers and err on the side of caution when allocating the Credit Allowance.

4. Review of Draft Legal Text

- 4.1 The Working Group reviewed the draft legal text for DCP 413 and made the relevant amendment live. The updated workplan can be found as **Attachment 1**.
- 4.2 When reviewing the current para 2.11, the Working Group agreed to add the below sentence:
 - *'In any event, the Company will set the Users Credit Allowance no higher than the lower of the credit value recommended within the Independent Credit Assessment.'*
- 4.3 It was also agreed to remove the below wording:
 - *'.. and the credit value calculated by applying the credit allowance factor.'*
- 4.4 The Working Group also agreed to remove paragraphs 2.8 to 2.10 and drafted a new version of para 2.8. It was noted that the paragraph references that currently sit in para 2.11 will need to be review and amended as necessary by Gowling when sent for legal review.

ACTION 01/01: The Secretariat to ask Gowling to make the necessary update to the paragraph references within the current para .11 of the draft legal text when carrying out legal review.

ACTION 01/02: The Secretariat to send the DCP 413 draft legal text to Gowling for review.

- 4.5 The new para 2.8 states:
 - *'The Company will set the Users Credit Allowance to the value recommended within the Independent Credit Assessment.'*
- 4.6 It was also agreed that the definition below will need to be amended:
 - *Recognised Credit Assessment Agency – means, any of the Credit Assessment agencies reasonably believed by the Company and the User to be fit for the purpose of providing credit assessments pursuant to this Schedule, taking account of all the circumstances applicable to the User'.*
- 4.7

5. Review and Discussion of DCP 413

- 5.1 The Chair invited the Working Group to both review and further discuss the CP.
- 5.2 A concern was raised regarding the lack of Supplier representation within the Working Group – it was suggested that it may be worth drawing the attention of Suppliers to this change either within an RFI, Consultation or separate comms as this change could have a significant impact on them.
- 5.3 One member raised an additional concern stating that alongside the implementation of DCP 349 ‘*Effectiveness of the current provision of unsecured cover under Schedule 1*’, there may be a number of smaller Suppliers that can no longer continue.
- 5.4 Another member stated that there is not an equivalent for a credit rating which is where the biggest exposure is. The Working Group agreed that this could be a potential question around this within the Consultation.
- 5.5 The Working Group discussed the potential implementation for this change – after further discussion, the Working Group agreed to include a question around the implementation date within the Consultation for wider industry to provide feedback as to whether it is suitable for this change to be implemented alongside DCP 349 in June 2023.
- 5.6 The Working Group debated whether it would be more suitable to draft an RFI for wider industry to gain further feedback prior to drafting the Consultation, however, ultimately it was agreed that going straight to Consultation may be of benefit.

Consultation Questions

- 5.7 The Working Group drafted the below Consultation questions:

- 1. For DNOs only--Of all Suppliers who have failed within your area since 01 January 2021 how many would have used an independent credit assessment for cover?
- 2. For DNOs only-- Can you please populate the below table for anonymised suppliers showing the credit assessment based on the rating provided compared with the recommended allowance to determine the impact on suppliers. The recommended Allowance for some agencies would be described as the credit rating.

	Credit Allowance based on current methodology	Recommended Allowance based on credit assessment	Change post-DCP 413	Value at Risk
Supplier 1				
Supplier 2				
Supplier 3				

- 3. For suppliers only--Given the forth coming implementation of DCP 349, more suppliers will potentially be using independent credit assessments. What would be the impact of these two changes working together?
- 4. Do you have any comments on the drafted legal text?
- 5. Do you have any comments on the proposed implementation date from 01 April 2023 and do you have any preferences on lead times?

- 5.8 The Working Group agreed for the Secretariat to create a draft Consultation and circulate to the Working Group for review prior to the next meeting.

ACTION 01/02: The Secretariat to create a draft Consultation and circulate to the Working Group for review prior to the next meeting.

- 5.9 The Chair queried whether separate comms are needed to Suppliers to ensure they are aware of the potential impacts this change may have on them – the Working Group suggested that an additional email could potentially be drafted to all Suppliers providing them with further information around the impacts of this change along with an invitation to join the Working Group if they wish to do so.

6. DCP 413 Workplan

- 6.1 The Working Group reviewed the workplan for DCP 413 and agreed with the proposed dates. The updated workplan can be found as **Attachment 2**.
- 6.2 The workplan will be updated after each meeting.

7. Agenda Items for Next Meeting

- 7.1 The Working Group discussed the next steps, and the following items were captured:
1. The Secretariat to draft the DCP 413 Consultation and circulate to the Working Group for review prior to the next meeting.

8. Any Other Business

- 8.1 The Chair asked the group whether there were any other items of business to discuss.
- 8.2 Length of Working Group Meetings
- 8.3 The Chair discussed the current length of the meetings with the Working Group. It was noted that these sessions are usually allocated 3 hours each as a maximum time, however it can always finish early.
- 8.4 Although a number of members suggested shortening the allocated time for these meetings to ensure they are productive, the Working Group agreed after further discussion that it would be suitable to allocate the standard 3 hours for the next meeting with the chance of giving members the time back if conversations come to a close prior to the end of the allocated time provided.
- 8.5 There were no other items raised.

9. Date of Next Meeting

- 9.1 The next Working Group meeting will be held on 07 December 2022 at 2pm.

10. Attachments

- Attachment 1_DCP 413 Draft Legal Text

- Attachment 2_DCP 413 Workplan

APPENDIX A

New and Open Actions

Action Ref.	Action	Owner	Update
01/01	The Secretariat to ask Gowling to make the necessary update to the paragraph references within the current para .11 of the draft legal text when carrying out legal review.	Secretariat	Ongoing.
01/02	The Secretariat to send the DCP 413 draft legal text to Gowling for review.	Secretariat	Ongoing.
01/03	The Secretariat to create a draft Consultation and circulate to the Working Group for review prior to the next meeting.	Secretariat	Ongoing.

Closed Actions

Action Ref.			Update
01/01			Closed.