

DCP 413 Working Group - Meeting 02

07 December 2022 at 14:00 - 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
Code Administrator	
Andy Green [AG] (Chair)	ElectraLink
Mel Kendal [MK] (Technical Secretariat)	ElectraLink
Apologies	
Richard Ellis [RE]	National Grid

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 draft legal text and draft Consultation with the Working Group.

3. Review of Draft Legal Text

- 3.1 The Working Group reviewed the draft legal text for DCP 413 and made the relevant amendment live.
- 3.2 AS reminded the group that in the previous Working Group meeting (WG 01), it was agreed to remove the table with Company names from the draft legal text. Following this, there was a concern raised within ENWL who have suggested that the Company names who are current recognised credit reference agencies should remain within the draft legal text.
- 3.3 Discussions around this concern took place offline and PT agreed and suggested that the Company names could be added to the definitions, as shown below:

- *means any of the credit assessment agencies ~~listed at Paragraph 2.8, or any other credit assessment agency~~ 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, and shall include but not be limited to Check It, Dunn & Bradstreet, Equifax, Experian and Creditsafe.*

- 3.4 There were also two additional suggested changes to para 2.4, 2.5 and 2.6:

- 2.3 **Unless Clause 2.5(a) applies**, ~~the~~ the User's Credit Allowance (CA here below) shall be calculated according to the following formula:

$$CA = RAV \times 2\% \times CAF$$

- 2.5 Where the User does not have a Credit Rating from an Approved Credit Referencing Agency that is Ba3 / BB– or above, **CA or** CAF shall be determined as follows
- 2.5 (a) where there is, at the time of such determination, an Independent Credit Assessment that was carried out within the preceding 12 months and the User has not requested that the Company use the User's Payment Record Factor, **CAF** shall be determined by reference to the Independent Credit Assessment procured pursuant to Paragraph 2.7 ~~and in accordance with the table set out at Paragraph 2.10;~~

- 3.5 The Chair discussed a number of questions provided by Gowlings to the Working Group to respond to prior to making any additional changes and further review on the draft legal text (Gowlings had sight of the original drafting from WG 01).
- 3.6 **Gowling Q1** - For background, the existing drafting creates a Credit Allowance for each User based on the distributor's RAV and the User's Credit Allowance Factor (or CAF). The CAF for entities rated with S&P/Moody's is established under paragraph 2.4. The CAF for entities not rated with S&P/Moody's is established under paragraph 2.5(a) by reference to an Independent Credit Assessment or under 2.5(b) by reference to Payment Record Factor.
- 3.7 WG Response – PW referred back to the recent changes that were made to 2.5 which should answer the above question.

- 3.8 **Gowling Q2** – Again, for background, under the existing text, the Independent Credit Assessment is dealt with in paragraphs 2.6 to 2.11. In particular, paragraph 2.8 lists a number of credit assessment products and allocates a common Credit Assessment Score to each; and then paragraph 2.10 identifies a CAF of between 0-20% (based on these Credit Assessment Scores).
- 3.9 WG Response – Yes this is correct.
- 3.10 **Gowling Q3** – The text you sent me deletes most of paragraphs 2.6-2.11 and states that the 'Credit Allowance [is] to [be] the value recommended within the Independent Credit Assessment'.
- 3.11 WG Response – Yes this is correct.
- 3.12 **Gowling Q4** – Does this mean that entities which are not S&P/Moody's rated and do not wish to rely upon Payment Record Factor will no longer be allocated a CAF, or a Credit Allowance linked to the distributor's RAV? And will instead just be allocated a Credit Allowance equal to the figure recommended by the credit reference agency?
- 3.13 WG Response – Yes this is correct.
- 3.14 **Gowling Q5** – The above question is the key one. We will need to make a lot of consequential changes to accommodate this approach, so I wanted to double check before we produce the drafting.
- 3.15 WG Response – The Working Group are happy with this.
- 3.16 **Gowling Q6** – In terms of the detail, I note that the change to 'Recognised Credit Assessment Agency' refers to the agency agreed between the distributor and the User, whereas paragraph 2.6 still refers to an agency chosen by the User. Is it right that it needs to be agreed? If the parties can't agree, is the intent for the User to get a Credit Allowance of zero?
- 3.17 WG Response – The Working Group discussed this and suggested that a Credit Allowance of zero may be too extreme. If they cannot reach an agreement, they will have to have another form of collateral,
- 3.18 After further discussion, the Working Group agreed to update the draft legal text and include this within the draft Consultation for feedback prior to returning back to Gowling for a final review.

ACTION 02/01: The Secretariat to send the draft legal text to Gowling for final review post-Consultation.

4. Review of Draft Consultation

- 4.1 The Chair invited the Working Group to both review and further discuss the CP.
- 4.2 The Working Group agreed to not include a link to DCP 349 '*Effectiveness of the current provision of unsecured cover under Schedule 1*' as it is referenced throughout the document.

- 4.3 The Working Group noted within the Consultation that they believe circulating the Consultation would engage the appropriate Parties and gain the feedback needed to progress this change.
- 4.4 The Working Group also agreed to include an Appendix (1) within the Consultation, listing the failed Suppliers post January 2021 as this may be beneficial to the responders.
- 4.5 The Working Group created the below table for responders to complete:

	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				

- 4.6 It was noted that the responses will all be anonymised, with further anonymisation by collating all data from all DNOs. This way, there is no way to identify which DNO provided which data.

ACTION 02/02: The Secretariat to collate all DNO responses (to the table) so that all data is anonymised.

- 4.7 The Working Group agreed to a proposed implementation date of six months post Authority approval.
- 4.8 After reviewing the draft Consultation, it was agreed for the Secretariat to finalise the Consultation and circulate to wider industry on Friday 09 December 2022 with a deadline date for responses by 06 January 2022.

ACTION 02/02: The Secretariat to finalise the Consultation and circulate to wider industry.

- 4.9 The Working Group will then meet on 11 January 2023 to review the Consultation responses. Once reviewed, the draft legal text can be updated where necessary and then resent to Gowlings for legal review whilst the Change Report is being drafted.

Consultation Questions

- 4.10 The Working Group drafted the below Consultation questions:
- *Do you understand the intent of DCP 413?*
 - *Do you support the principles of DCP 413?*
 - *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?*
 - *For DNOs only - Can you please populate the table provided in paragraph 4.9 of the Consultation Document 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*

- *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?*
- *Do you consider that the proposal better facilitates the DCUSA General Objectives? If so, please detail which of the General Objectives you believe are better facilitated and provide supporting reasons. If not, please provide supporting reasons*
- *Are you aware of any wider industry developments that may impact upon or be impacted by this CP?*
- *Are you supportive of the implementation date?*
- *Do you have any comments on the proposed legal text?*
- *Do you have any other comments on DCP 413?*

4.11 The Working Group discussed and agreed the above questions.

5. DCP 413 Workplan

- 5.1 The Working Group reviewed the workplan for DCP 413 and agreed with the proposed dates. The updated workplan can be found as **Attachment 1**.
- 5.2 The workplan will be updated after each meeting.

6. Agenda Items for Next Meeting

- 6.1 The Working Group discussed the next steps, and the following items were captured:
1. The Secretariat to finalise the Consultation and circulate to wider industry on Friday 06 December 2022.
 2. The Working Group to review the Consultation responses on 11 January 2023.

7. Any Other Business

- 7.1 The Chair asked the group whether there were any other items of business to discuss.
- 7.2 Length of Working Group Meetings
- 7.3 The Chair
- 7.4 There were no other items raised.

8. Date of Next Meeting

- 8.1 The next Working Group meeting will be held on 11 January 2022 at 10am.

9. Attachments

- Attachment 1_DCP 413 Workplan

APPENDIX A

New and Open Actions

Action Ref.	Action	Owner	Update
02/01	The Secretariat to send the draft legal text to Gowling for final review post-Consultation.	Secretariat	Ongoing.
02/02	The Secretariat to collate all DNO responses (to the table) so that all data is anonymised.	Secretariat	Ongoing.

Closed Actions

Action Ref.			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	Closed.
01/02	The Secretariat to send the DCP 413 draft legal text to Gowling for review.	Secretariat	Closed.
01/03	The Secretariat to create a draft Consultation and circulate to the Working Group for review prior to the next meeting.	Secretariat	Closed.
02/03	The Secretariat to finalise the Consultation and circulate to wider industry.	Secretariat	Closed.