

DCP 413 Working Group - Meeting 04

01 February 2023 at 10:00 - Web-Conference

Attendee	Company
Working Group Members	
Andrew Sherry [AS]	ENWL
Christine Austin [CA]	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
Alysson Peña [AP]	ElectraLink
Mel Kendal [MK] (Technical Secretariat)	ElectraLink

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 Consultation responses and the draft Change Report with the Working Group.

3. Review Consultation Responses

- 3.1 The Working Group reviewed the Consultation responses and Working Group comments were added to the document live – this can be found as **Attachment 1**. There was a total of 6 responders to the DCP 413 Consultation.

Question 1

- 3.2 The Working Group noted that all responders confirmed that they understand the intent of DCP 413.

Question 2

- 3.3 The Working Group noted that the majority of responders (5) stated that they supported the principles of DCP 413. One responder was not supportive.
- 3.4 The responder who stated they were not supportive of the principles of this CP raised a concern around extreme variability in the credit allowance provided between each DNO under the proposed mechanism – another concern was around Suppliers not being able to see the full impact of this CP (for example, only the impact for one region is available).
- 3.5 Regarding the latter concern, the proposer stated that the impacts within one region would most likely be similar to that of other regions and therefore believes that the impacts across all regions could be significant.
- 3.6 The non-supportive responder re-iterated that the volatility of credit allowance from DNO to DNO needs to be looked at further for reasons as to why it is so varied under this new change. The proposer suggested that if different independent credit assessors were used to get the information needed for a credit allowance assessment, this could cause variability in the figures provided from each DNO.
- 3.7 The responder stated that this concern needs to be checked and be transparent as this could potentially mean the impact assessment table could be incorrect.
- 3.8 One member stated that one credit assessor provides a cap on the allowance, whereas another does not – this could potentially play a part in the variety of allowances provided by each DNO.
- 3.9 After further discussion, AS agreed to take an action to provide KM with more information around how they resulted in the credit allowance figures that they did for DRAX.

ACTION 04/01: AS to provide KM with a breakdown of how they resulted in the credit allowance figures for DRAX offline.

- 3.10 The Working Group also noted that this change should be in line with the gas processes. The Secretariat agreed to take an action to investigate what currently happens within the gas processes for credit allowance post-meeting, and feedback to the Working Group for further discussion.

ACTION 04/02: The Secretariat to investigate what currently happens within the gas processes for credit allowance post-meeting, and feedback to the Working Group for further discussion.

Question 3

- 3.11 The Working Group noted that all bar one responder stated that they did not have any Suppliers failed within their area since 01 January 2021. The one responder that did, stated that they has 6 Suppliers fail; however, this responder did state that they do proactively advise that an independent assessment can be used, and therefore, this could explain the reasons as to why they have seen Suppliers with an independent credit assessment failing (where other DNOs have not advised this).

Question 4

- 3.12 The Working Group noted that from the data provided by responders, this change will most likely impact small to medium Suppliers as they are the majority that use independent credit assessors. It was also noted that a number of Suppliers will be significantly impacted financially if this change implemented due to the movements in allowances.

Question 5

- 3.13 The Working Group noted that none of the responders provided any impacts between this change and the implementation of DCP 349 (if both changes work together).
- 3.14 It was noted that at some point in the DCP349 (June 2023) process suppliers will have to cease using GPH meaning that they will have to put up different forms of credit and this change could significantly alter what the allowances could be.

Question 6

- 3.15 The Working Group noted that the majority of responders believe that this change better facilitates the DCUSA General Objectives (3&4).
- 3.16 One responder stated that they believe that none of the DCUSA General Objectives are positively impacted by this change, and that DCUSA General Objective 2 will be negatively impacted if this change is implemented. This was noted by the Working Group.

Question 7

- 3.17 The Working Group noted that 3 responders stated that DCP 349 will be impacted by this change, and 2 responders did not provide any additional potential industry impacts if this change was to be implemented.
- 3.18 One responder stated that the implementation of this change would cause some Suppliers significant financial problems as they will be unable to meet the significantly increased collateral requirements. This was noted by the Working Group.
- 3.19 The Working Group also noted that this change could encourage some Suppliers to effectively 'shop around' for optimal credit assessment.

Question 8

- 3.20 The Working Group noted that the majority of responders were supportive of a 6-month lead time post-Authority approval as per the CP, with one responder suggesting that a minimum of 24 moths should be allowed for Suppliers to give them as much time as possible to prepare for any future changes.
- 3.21 It was also noted that due to the implementation of DCP 349, Suppliers will rely on independent credit assessments with effect from June, and so will also be impacted if this change is implemented.

Question 9

- 3.22 The Working Group noted that only one responder provided additional comments on the draft legal text which were reviewed and agreed within the Working Group. The Secretariat agreed to take an action to update the draft legal text as necessary.

ACTION 04/03: The Secretariat to update the draft legal text as necessary.

Question 10

- 3.23 The Working Group noted that there were no additional comments on DCP 413 provided by responders to the Consultation.

WG Discussion

- 3.24 The Working Group reviewed the Uniform Network Code (UNC) against wording from the DCP 349 Change Report regarding independent credit assessments. It was noted that wording currently within the DCP 349 Change Report cannot be found specifically within the UNC document.
- 3.25 After discussing the above, AS agreed to take an action to investigate where the wording within DCP 349 originally came from and feedback to the Working Group.

ACTION 04/04: AS to investigate where the wording within DCP 349 originally came from and feedback to the Working Group.

- 3.26 One member stated that the CUSC have been more specific in which assessors can be used to give a credit rating, which is what is currently missing from the DCUSA – the Secretariat agreed to take an action to cross-check the agencies under the CUSC, and other Codes, with that within the DCUSA and feedback to the Working Group.

ACTION 04/05: the Secretariat agreed to take an action to cross-check the agencies under the CUSC, and other Codes, with that within the DCUSA.

- 3.27 After further discussion, the Secretariat agreed that the next steps will include circulating the collated Consultation responses to the Working Group, and for the Working Group to review the draft Change Report during the next meeting.

4. DCP 413 Workplan

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

5. Agenda Items for Next Meeting

- 5.1 The Working Group discussed the next steps, and the following items were captured:
1. The Working Group to review the draft Change Report.

6. Any Other Business

- 6.1 The Chair asked the group whether there were any other items of business to discuss.
- 6.2 There were no other items raised.

7. Date of Next Meeting

- 7.1 The next Working Group meeting will be held on 22 February 2023 at 10am.

8. Attachments

- Attachment 1_DCP 413 Collated Consultation Responses_WG Comments
- Attachment 2_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. Will be sent to Gowling post-Consultation.
04/01	AS to provide KM with a breakdown of how they resulted in the credit allowance figures for DRAX offline.	AS	Ongoing.
04/02	The Secretariat to investigate what currently happens within the gas processes for credit allowance post-meeting, and feedback to the Working Group for further discussion.	Secretariat	Ongoing.
04/03	The Secretariat to update the draft legal text as necessary.	Secretariat	Ongoing.
04/04	AS to investigate where the wording within DCP 349 originally came from and feedback to the Working Group.	AS	Ongoing.
04/05	the Secretariat agreed to take an action to cross-check the agencies under the CUSC with that within the DCUSA.	Secretariat	Ongoing.

Closed Actions

Action Ref.			Update
03/01	The Secretariat to clarify whether the shortfall of a Supplier could be paid using alternate methods of credit.	Secretariat	Closed.

03/02	The Secretariat to seek legal advice around whether DNOs can send non-anonymised data to DCUSA to analysis and the anonymise prior to circulating to the Working Group for review.	Secretariat	Closed.
03/02	The Secretariat to seek legal advice around whether DNOs can send non-anonymised data to DCUSA to analysis and the anonymise prior to circulating to the Working Group for review.	Secretariat	Closed.
03/04	The Secretariat to draft a Change Report for the Working Group to review and work on at the next meeting.	Secretariat	Closed.