

DCUSA Change Report		At what stage is this document in the process?
<h2>DCP 429:</h2> <h3>Obtaining an Independent Credit Assessment</h3> <p>Date raised: 12/09/2023</p> <p>Proposer Name: Donna-Marie Butcher</p> <p>Company Name: South Eastern Power Networks</p> <p>Company Category: DNO</p>	01 – Change Proposal	
	02 – Consultation	
	03 – Change Report	
	04 – Change Declaration	
<p>Purpose of Change Proposal:</p> <p>The purpose of this change proposal seeks to update DCUSA Schedule 1 Clause 2.6 that refers to the Company obtaining an Independent Credit Assessment from a recognised Credit Assessment Agency chosen by the User.</p>		
	<p>This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 429 'Obtaining an Independent Credit Assessment'. Parties are invited to consider the change proposal (Attachment 1) and submit their votes using the Voting form (Attachment 2) to dcusa@electralink.co.uk by 08 February 2024.</p>	
	<p>The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.</p>	
	<p>If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA by email to dcusa@electralink.co.uk or telephone 020 7432 3011.</p>	
	<p>Parties Impacted: Suppliers / DNOs / IDNOs / CVA Registrants</p>	
	<p>Impacted Clauses: DCUSA Schedule 1 Paragraph 2.6</p>	

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Timetable

The timetable for the progression of the CP is as follows:

Change Proposal timetable

Activity	Date
Initial Assessment Report	20 September 2023
Consultation Issued to Industry Participants	22 November 2023
Change Report Approved by Panel	17 January 2024
Change Report issued for Voting	18 January 2024
Party Voting Closes	08 February 2024
Change Declaration Issued to Parties	12 February 2024
Implemented	Within the next scheduled DCUSA release.

1 Executive Summary

What?

- 1.1 Currently Suppliers can choose which credit rating agency they wish a Distributor to obtain a credit assessment from. Notionally, each Supplier can ask each Distributor separately. Distributors tend to have relationship with their preferred credit rating agency, but Suppliers can insist on not using this one.

Why?

- 1.2 This creates inefficiency in the whole process and Distributors are having to make arrangements with every possible credit rating agency with potential costs.

How?

- 1.3 Either Suppliers provide their own credit assessment (with supporting evidence that is recently dated) or the Distributor chooses who they obtain it from.

2 Governance

Justification for Part 1 Or Part 2 Matter

- 2.1 The Proposer does not believe that this CP meets the criteria for it to be considered as a Part 1 Matter, and therefore, considers that it should be treated as a Part 2 Matter.

Requested Next Steps

- 2.2 The Panel recommends that this CP should be issued to Parties for Voting.

3 Why Change?

Background of DCP 429.

- 3.1 The current process is inefficient and approving this change proposal will avoid duplication.
- 3.2 It was noted that since the implementation of [DCP 349 'Effectiveness of the current provision of unsecured cover under Schedule 1'](#), more users were seeking to use independent credit rating agencies instead of good payment history.
- 3.3 The proposer advised that their organisation has an agreement with a credit rating agency to gain reports and credit assessments however, as the legal text allows users to request an Independent Credit Assessment from a specific agency, users tend to want to use a different credit assessment agency as some offer a higher allowance.

- 3.4 The proposer notes that most, if not all credit rating agencies charge for an annual subscription or can charge a large one-off fee.
- 3.5 This proposal is seeking to change the process/legal text, so the Users provide their own Independent Credit Assessment from a Recognised Credit Assessment Agency or accept the one from the Distributor.
- 3.6 It was highlighted that as suppliers already know the level of credit they can obtain from their preferred agency, the annual subscriptions/fees must have been already paid so the current process leads to both Suppliers and Distributors duplicating both the process of obtaining the credit assessment and also paying the fees which is inefficient.
- 3.7 It is agreed that as the supplier usually already has the credit report the proposed change would lead to a much more efficient process as it removes the duplication as mentioned in Paragraph 4.6.

4 DCP 429 Working Group Assessment

- 4.1 The DCUSA Panel established a Working Group to assess/develop DCP 429. This Working Group consists of representatives from DNOs, Suppliers and IDNOs. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.

Consultation

- 4.2 The Working Group undertook a consultation during the development of the change proposal to gain more clarity on how often an Independent Credit Assessment is requested, and whether there were any other credit agencies being used that are not referred to in the DCUSA legal text.
- 4.3 The consultation was issued to parties on 22 November 2023. There were four responses received to the consultation. The Working Group's conclusions can be found in Attachment 3 DCP 429 Consolidated Consultation 1 Responses, with a summary of each shown below.
- 4.4 Although the consultation was issued to all DCUSA Parties, it was noted that all four respondents were DNO Parties.

Question 1: Do you understand the intent of the Change Proposal?

Question 2: Are you supportive of the principles of this Change Proposal?

- 4.5 All respondents understood the intent of the change proposal and all respondents supported the principles of the change proposal.

Question 3 - Would you use the normal credit agencies listed within the DCUSA Schedule 1 or do you use any others? If you use any others, please advise who they are.

- 4.6 One responder stated yes, they usually use the credit agencies listed in Schedule 1.

- 4.7 Another responder stated they use the agencies as set out in the DCUSA but also have access to; CreditSafe and S&P.
- 4.8 The third responder stated that they don't use the normal credit agencies listed as a matter of routine and went on to advise they would tend to use CreditSafe.
- 4.9 The final responder advised that they usually, as a matter of routine, use the Recognised Credit Assessment Agencies under Paragraph 2.8 of DCUSA Schedule 1.

Question 4 - Under the existing clause 2.6, would you expect the DNO to provide the independent credit assessment or would you have already obtained that report to share with the DNO?

- 4.10 A DNO responder advised that this question was not particularly applicable to DNOs, but went on to state that under current wording they would expect to have to obtain the report but in practice the Supplier would usually provide a report if they have chosen a particular agency.
- 4.11 Two other DNO responders stated that the question was not applicable to them as DNOs.
- 4.12 The final responder, who was also a DNO stated that Paragraph 2.6 currently requires the DNO to procure the Independent Credit Assessment, from an Agency specified by the Supplier. They highlighted they have concerns about the cost implications of individual Suppliers specifying their choice of Independent Credit Assessment provider, and that they would prefer that the Supplier provides the DNO with the Independent Credit Assessment from their provider of choice.
- 4.13 The Working Group agreed that the intent of this change was seeking to remove the above concern as the proposal would allow suppliers to provide their own Independent Credit Assessment.

Question 5 – How many times a year do you provide an independent credit assessment?

- 4.14 Three responders stated that this question wasn't relevant to them as DNO's and would be best suited to being answered by suppliers.
- 4.15 The fourth responder went on to state they would provide an Independent Credit Assessment once or twice a year, depending on market volatility and the dynamic assessment of the Suppliers Value at Risk, if it is approaching, or has exceeded 84% of the Credit Limit.

Question 6 - Do you have any comments on the drafted legal text?

- 4.16 All four respondents didn't have any additional comments on the drafted legal text with one highlighting that they believed that the text would deliver the intent of DCP 429.
- 4.17 One Working Group member who was from a supplier organisation did go on to state that the drafted legal text didn't make it clear as to the hierarchy of who should obtain the Independent Credit Assessment in the first instance.

- 4.18 The Working Group agreed and amended the legal text to provide clarity that if the user did not provide an Independent Credit Assessment, then they would have to accept the Independent Credit Assessment provided by the company i.e. the DNO.

Question 7 - Do you consider the solution better facilitates the DCUSA objectives? Please give supporting reasons.

- 4.19 All four respondents believed that DCUSA General objective 4 would be better facilitated if this change was accepted as it would provide efficiencies in the process for obtaining Independent Credit Assessments

Question 8 - Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

- 4.20 All four responders stated that they didn't believe that there would be any wider industry impacts as a result of this change being accepted.

Question 9 – What date do you believe this change proposal should be implemented? Please provide rationale.

- 4.21 Three of the four respondents stated that they agreed with the proposer that the change should be implemented on the next DCUSA release after approval.
- 4.22 The fourth respondent stated that the change should be implemented as soon as practicable and that it would be useful if it could be included in the Apr-24 Release.
- 4.23 This respondent did state within the Working Group that they were more than comfortable with this change being implemented in the Feb-24 Release if the change report got approved at the January Panel meeting.

Question 10 - Do you have any other comments?

- 4.24 All four respondents advised that they had no additional comments to make.

5 Working Group Conclusions & Final Solution

- 5.1 After reviewing the consultation responses and subsequently amending the legal text, the Working Group concluded that the solution was fit for purpose.
- 6.2 The detail of the solution can be found within section 10, Legal text.

6 Relevant Objectives

Assessment Against the DCUSA Objectives

- 6.1 For a DCUSA CP to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. The full list of objectives is documented in the CP form provided as Attachment 3.

6.2 The Proposer believes that the following DCUSA General Objectives are better facilitated by DCP 429:

	DCUSA General Objectives	Identified impact
<input type="checkbox"/>	1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	None
<input type="checkbox"/>	2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity	None
<input type="checkbox"/>	3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	None
<input checked="" type="checkbox"/>	4. The promotion of efficiency in the implementation and administration of the DCUSA	Positive
<input type="checkbox"/>	5. Compliance with the EU Internal Market Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

6.3 The Working Group agreed that DCUSA General Objective 4 is better facilitated by this change, as it would remove complexity and cost from the current arrangements for obtaining an Independent Credit Assessment from a Recognised Credit Assessment Agency.

6.4 There is a neutral impact on the rest of the objectives.

7 Impacts & Other Considerations

Impacts on other Industry Codes

7.1 The Working Group does not consider that there are any impacts to any other 'Industry Codes' as a result of the implementation of this CP.

BSC..... Grid Code..... REC.....
 CUSC..... SEC..... Distribution Code.. None.....

Significant Code Review Impacts

7.2 The Working Group does not believe that this CP impacts upon any current SCR or other significant industry change projects.

Consumer Impacts

7.3 The Working Group does not consider that there are any impacts to consumers as a result of the implementation of this CP that should be highlighted within this Change Report.

Environmental Impacts

- 7.4 In accordance with DCUSA Clause 11.20.6(D), the Working Group assessed whether there would be a material impact on greenhouse gas emissions if this CP were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

8 Implementation

- 8.1 The intended implementation date for this change is the next DCUSA release after approval which would be the 29 February 2024 Release.

9 Legal Text

Legal Text

- 9.1 The legal text for DCP 429 has been developed by the Working Group and reviewed by the DCUSA legal advisors and is provided below for ease of reference but can also be found within Attachment 1 to this Change Report.
- 9.2 As part of the review undertaken by legal advisors, it was highlighted that paragraphs 2.5 and 2.7 would also require an update to comply with the changes to paragraph 2.6.
- 9.3 Amend schedule 1, Paragraphs 2.5, 2.6 and 2.7 as follows:

2.5 Where the User does not have a Credit Rating from an Approved Credit Referencing Agency that is Ba3 / BB– or above, CAF shall be determined as follows:

- (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 provided pursuant to Paragraph 2.6 or procured pursuant to Paragraph 2.7 (and, in either case, in accordance with the table set out at Paragraph 2.10); or*
- (b) *where the User has requested that the Company use the User’s Payment Record Factor or there is not, at the time of such determination, an Independent Credit Assessment that was carried out within the preceding 12 months, CAF shall equal the Payment Record Factor (which shall be determined in accordance with the provisions of Paragraphs 2.12 to 2.14).*

Credit Assessment Score

2.6 For the purposes of determining CAF pursuant to Paragraph 2.5(a), the User may, no more than once a year, provide to ~~request that~~ the Company ~~obtain~~ an Independent Credit Assessment from a Recognised Credit Assessment Agency chosen by the User.

2.7 As an alternative means of determining CAF pursuant to Paragraph 2.5(a), the User may, no more than once a year, request that the Company obtains an Independent Credit Assessment from a Recognised Credit Assessment Agency chosen by the Company. In which case, as soon as reasonably practicable following such request (or within such other period as the Company and the User may agree), the Company shall procure from that Recognised Credit Assessment Agency (and shall provide to the User) a credit assessment of the User. ~~Where a Recognised Credit Assessment Agency offers more than one credit assessment product, the Company shall procure an assessment on the basis of the product that the Company and the User agree (each acting reasonably) provides the most appropriate assessment of the creditworthiness of the User when all factors are taken into consideration.~~

Text Commentary

- 9.4 Gives the option for the supplier to provide the credit rating and if not, the DNO can choose an agency of their choice.

10 Code Specific Matters

Modelling Specification Documents

10.1 N/A

Reference Documents

10.2 N/A

11 Recommendations

Panel's Recommendation

- 11.1 The Panel approved this Change Report on 17 January 2024. The Panel considered that the Working Group has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 429.
- 11.2 The Panel has recommended that this report is issued for Voting for a period of 3 weeks and DCUSA Parties should consider whether they wish to submit views regarding this Change Proposal.

12 Attachments

- Attachment 1 – DCP 429 Change Proposal Form
- Attachment 2 – DCP 429 Voting Form
- Attachment 3 – DCP 429 Consolidated Consultation Responses
- Attachment 4_DCP 429 Draft Legal Text