

DCP 470

'INDEPENDENT CREDIT ASSESSMENTS'

COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

Company	Confidential/ Anonymous	1. Do you understand the intent of the	Working Group Comments
NPg	Non-Confidential	Yes	Yes
NGED	Non-Confidential	Yes. The intent is clear: to allow the Company (Distributor) to procure and use an Independent Credit Assessment (ICA) in cases where the User has not provided one or requested one, particularly after extended reliance on Payment Record Factor (PRF).	Yes
UKPN	Non-Confidential	Yes	Yes
SP ENW	Non-Confidential	Yes	Yes
Utilita Energy Limited.	Non-Confidential	<p>No, the change proposals justification is based on users who would have their credit cover requirement increased by an independent credit check. However, there has been no consideration for the increase for credit cover requirements as a consequence of the DNO party procuring their own credit assessment.</p> <p>This oversight makes the intent incomplete.</p>	No

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Green GEN Cymru	Non- Confidential	Yes	Yes
SPEN	Non- Confidential	Yes	Yes
<p>Working Group Conclusions: Six respondents understood the intent of the change proposal.</p> <p>One respondent believed that there had been no consideration for the increase for credit cover requirements as a consequence of the DNO party procuring their own credit assessment.</p> <p>As a result of this oversight, they stated this made the intent incomplete. The Working Group were of the view that credit cover would not increase as a result of this CP for suppliers and noted that the intent of the CP, and subsequently the drafted legal text meant if a supplier wasn't happy with the ICA obtained by the DNO, the supplier would be entitled to obtain their own ICA which would supersede the DNOs so this risk was easily mitigated.</p>			

Company	Confidential/ Anonymous	2. Are you supportive of the principles that support this Change Proposal?	Working Group Comments
NPg	Non- Confidential	Yes	
NGED	Non- Confidential	Yes. The principles promote efficiency, proportionality, and reduced administrative burden for both Distributors and Users.	

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UKPN	Non-Confidential	Yes	
SP ENW	Non-Confidential	We support the principle of allowing more DNO discretion in respect of the use of Independent Credit Assessments.	
Utilita Energy Limited	Non-Confidential	I am supportive of the principle of DNO companies being given an alternative means to assess credit requirements.	
Green GEN Cymru	Non-Confidential	Yes	
SPEN	Non-Confidential	Yes	
Working Group Conclusions: All seven respondents were supportive of the change proposal with the main reason being that the proposal will improve efficiency within the process.			

Company	Confidential/Anonymous	3. Are there any other scenarios that could cause a user to be in breach where a company may wish to apply an independent credit assessment to recognise that user is of a lower risk? If so, please elaborate.	Working Group Comments
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NPg	Non-Confidential	No	
NGED	Non-Confidential	<p>Yes. Additional scenarios include:</p> <ul style="list-style-type: none"> •Rapid growth / portfolio expansion causing temporary distortion of the PRF despite strong fundamentals. •One-off late payments that reduce PRF disproportionately, even when the User is generally low risk. •System or data issues where settlement data or payment records temporarily misrepresent risk. •Supplier mergers or restructuring, creating temporary anomalies in performance metrics. 	
UKPN	Non-Confidential	No	
SP ENW	Non-Confidential	If a LoC or PCG expire leaving the user potentially in Cover Default.	
Utilita Energy Limited.	Non-Confidential	N/A	
Green GEN Cymru	Non-Confidential	No	

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SPEN	Non-Confidential	No, as listed - Good Payment Factor reduction due to late payment or maturity.	
<p>Working Group Conclusions: Five respondents offered no new scenarios.</p> <p>One responder stated rapid growth/portfolio expansion causing temporary distortion of the PRF despite strong fundamentals, one-off late payments that reduce PRF disproportionately, even when the User is generally low risk. System or data issues where settlement data or payment records temporarily misrepresent risk and supplier mergers or restructuring, creating temporary anomalies in performance metrics.</p> <p>Another responder suggested that if a Letter of Credit (LoC) or Parent Company Guarantee (PCG) expired, it could leave the user potentially in Cover Default.</p>			
Company	Confidential/Anonymous	4. Do you believe this change, if approved, would create any unintended consequences within the credit cover process or elsewhere? Please provide rationale.	Working Group Comments
NPg	Non-Confidential	No	
NGED	Non-Confidential	<p>On balance, no major unintended consequences are anticipated, provided processes remain transparent and proportionate.</p> <p>However, possible minor risks include:</p>	

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		<ul style="list-style-type: none"> Perceived loss of control by Users if an ICA is procured without their explicit request. DNOs could apply the ICA inconsistently unless guidance is harmonised across all operators. <p>Additional cost impacts for DNOs (though costs are generally low and the ICA is optional).</p>	
UKPN	Non-Confidential	No	
SP ENW	Non-Confidential	It may take away supplier's focus on Credit Cover, removing the onus from the supplier to have sufficient cover in place.	
Utilita Energy Limited.	Non-Confidential	We do not believe that there would be unintended consequences elsewhere within the requirements, however there is a consequence within the proposed legal text of increasing energy suppliers cover requirements despite them having 60 months of good payment history.	
Green GEN Cymru	Non-Confidential	No	
SPEN	Non-Confidential	No	

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Working Group Conclusions: Four respondents stated no to this question.

One responder said no major consequences/risks but did highlight the below minor risks.

- Perceived loss of control by Users if an ICA is procured without their explicit request.
- DNOs could apply the ICA inconsistently unless guidance is harmonised across all operators.
- Additional cost impacts for DNOs (though costs are generally low and the ICA is optional).

Another response noted that it may take away supplier’s focus on Credit Cover, removing the onus from the supplier to have sufficient cover in place. The Working Group noted this comment but believed that it would be a minor risk to manage as most Parties are engaged in the process and act in good faith.

And finally, another response stated that whilst they did not believe that there would be unintended consequences elsewhere within the requirements, they believed there is a consequence within the proposed legal text of increasing energy suppliers cover requirements despite them having 60 months of good payment history. It was noted that once a user has 60 months of good payment history they were considered mature enough to obtain an ICA and as such they would have to obtain an ICA or some other form of credit anyway, as per the DCUSA and this change was seeking to make it less likely that suppliers didn’t have appropriate cover in place in the event of them not being engaged with the process.

Company	Confidential/ Anonymous	5. To Distributors-Are you able to procure an independent credit assessment?	Working Group Comments
NPg	Non-Confidential	Yes – we have access to both Credit Safe and S&P.	

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NGED	Non-Confidential	Some are, but not all Distributors currently have this capability.	
UKPN	Non-Confidential	Yes	
SP ENW	Non-Confidential	Yes	
Utilita Energy Limited.	Non-Confidential	N/A	
Green GEN Cymru	Non-Confidential	N/A	
SPEN	Non-Confidential	Yes, SPEN use Dunn & Bradstreet or Moodys.	
<p>Working Group Conclusions: This question was relevant to six of the seven respondents with five of them being DNOs and another being an IDNO.</p> <p>All five DNOs stated that they were able to procure an independent credit assessment.</p> <p>An IDNO respondent stated N/A in their consultation response however, during the Working Group meetings they did confirm verbally that they were able to obtain an ICA</p>			

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Company	Confidential/ Anonymous	6. Do you have any comments on the drafted legal text, and do you believe it captures all the scenarios the CP is seeking to cater for?	Working Group Comments
NPg	Non-Confidential	No comments – comfortable that it covers what is needed.	
NGED	Non-Confidential	<p>The drafted text is generally clear, proportionate, and well aligned with the CP's intent. It:</p> <ul style="list-style-type: none"> • Maintains User choice (PRF vs ICA). • Introduces ICA procurement only after 60 months of PRF use. • Provides clarity on when ICA vs PRF applies. • Ensures ICA can only be used if carried out within the last 12 months. 	
UKPN	Non-Confidential	We are aware that concerns have been raised about the lack of a clear default CAF of zero if the various options concerning providing/obtaining/calculating CAF are not taken up.	
SP ENW	Non-Confidential	No further comment, believe the text captures the scenarios.	
Utilita Energy Limited.	Non-Confidential	The proposed legal text does not have provision for appeal or alteration. Should the user be in anyway unsatisfied with the	

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		<p>company's credit assessment there should be a methodology allowing the user to procure an alternate credit assessment.</p> <p>Furthermore, is the intention of this is to punish disengaged energy suppliers which appears to be the proposer's intention this should be acknowledged within the drafting in some manner.</p>	
Green GEN Cymru	Non-Confidential	No	
SPEN	Non-Confidential	No Comment	
<p>Working Group Conclusions: Five respondents believed the legal text captured all scenarios and was fit for purpose due to the below reasons.</p> <ul style="list-style-type: none"> • Maintains User choice (Payment record factor (PRF) vs Independent Credit Agreement. • Introduces ICA procurement only after 60 months of PRF use. • Provides clarity on when ICA vs PRF applies. • Ensures ICA can only be used if carried out within the last 12 months. <p>One responder noted that within the Working Group a DNO party had raised concerns about the lack of a clear default CAF of zero if the various options concerning providing/obtaining/calculating CAF are not taken up. It was noted that this Party did not raise these concerns in their consultation response however, the Working Group believed that this risk was tangible and so decided to update the legal text accordingly within paragraph 2.3 of Schedule 1.</p>			

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A supplier responder stated that the proposed legal text did not have provision for appeal or alteration, should the user be in anyway unsatisfied with the company's credit assessment.

They also asked if the intention of this CP was to punish disengaged energy suppliers.

It was noted that the intent of this CP was not to punish suppliers, in fact the opposite as currently if a supplier was disengaged the DNO could suspend registrations, which the Working Group agreed was a harsh sanction. It was also highlighted that if a supplier was unhappy with the ICA obtained by the DNO, the supplier was entitled to secure their own which would supersede the DNOs ICA.

Company	Confidential/ Anonymous	7. Do you consider the solution better facilitates the DCUSA objectives? Please give supporting reasons.	Working Group Comments
NPg	Non-Confidential	Yes – drives efficiency.	4
NGED	Non-Confidential	<p>Yes, primarily DCUSA Objective 4, promoting efficient implementation and administration of DCUSA.</p> <p>Supporting reasons:</p> <ul style="list-style-type: none">• Reduces unnecessary administrative interactions where Users aren't responding.• Prevents disproportionate sanctions for low-risk Users.	4

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		<ul style="list-style-type: none"> Allows DNOs to act on objective, externally validated credit data. <p>Improves resource efficiency across the market.</p>	
UKPN	Non-Confidential	Yes, this change better facilitates DCUSA General Objective 4 by promoting efficiency through the removal of administrative burdens.	4
SP ENW	Non-Confidential	Yes	Yes
Utilita Energy Limited.	Non-Confidential	No comment	Noted
Green GEN Cymru	Non-Confidential	Yes, this promotes efficiency in the process.	4
SPEN	Non-Confidential	4. The promotion of efficiency in the implementation and administration of DCUSA. As it saves unnecessary chasing correspondence from suppliers	4
<p>Working Group Conclusions: Five responses either stated that this CP would better facilities efficiency in the process or objective 4 with reasons ranging from, but not exclusive to the below;</p> <ul style="list-style-type: none"> Reduces unnecessary administrative interactions where Users aren't responding. 			

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- Prevents disproportionate sanctions for low-risk Users.
 - Allows DNOs to act on objective, externally validated credit data.
- One respondent simply stated “Yes” and the final respondent offered no view.

Company	Confidential/ Anonymous	8. Are you aware of any wider industry developments that may impact upon or be impacted by this CP?	Working Group Comments
NPg	Non-Confidential	No	
NGED	Non-Confidential	None with direct impact.	
UKPN	Non-Confidential	No	
SP ENW	Non-Confidential	No	
Utilita Energy Limited.	Non-Confidential	No	

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Green GEN Cymru	Non- Confidential	No	
SPEN	Non- Confidential	No	
Working Group Conclusions: All seven respondents believed there would be no wider impacts as a result of this CP being approved.			

Company	Confidential/ Anonymous	9. What date do you believe this change proposal should be implemented? Please provide rationale.	Working Group Comments
NPg	Non- Confidential	Yes – it allows credit cover to be calculated.	
NGED	Non- Confidential	<p>The next scheduled DCUSA release after approval is appropriate.</p> <p>Rationale:</p> <ul style="list-style-type: none"> • No system updates of major scale required. • Minimal operational impact. • Allows DNOs to start reducing inefficiency without delay. <p>Aligns with the proposed implementation approach in the Change Proposal Form.</p>	Next DCUSA release after approval.

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UKPN	Non-Confidential	Next release after approval.	Next DCUSA release after approval
SP ENW	Non-Confidential	As there is no system implications this can be implemented quickly.	Can be done quickly.
Utilita Energy Limited.	Non-Confidential	We have no opinion on this.	N/A
Green GEN Cymru	Non-Confidential	ASAP	ASAP
SPEN	Non-Confidential	It would be an easy change for SPEN, so can facilitate quickly.	Can be done quickly.
<p>Working Group Conclusions: Two responders agreed with the CP that this should be implemented at the next DCUSA release if approved.</p> <p>Three other responders stated that this could be delivered quickly or ASAP.</p> <p>Another offered no view and the final responder stated 'Yes' which was taken as they agreed with the CPs proposed implementation date of the next scheduled DCUSA release upon approval.</p>			

Company	Confidential/ Anonymous	10. Do you have any other comments?	Working Group Comments
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NPg	Non-Confidential	None.	No
NGED	Non-Confidential	No additional comments.	No
UKPN	Non-Confidential	No.	No
SP ENW	Non-Confidential	This is likely to result in more suppliers being covered by credit assessment scores and we have some concerns around the reliability and the review of independent credit assessments, the amount of cover provided and extent to which they reflect a supplier's real credit risk.	
Utilita Energy Limited.	Non-Confidential	No	No
Green GEN Cymru	Non-Confidential	No	No
SPEN	Non-Confidential	No	No
Working Group Conclusions: Six responses stated that they had no additional comments.			

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One responder believed that the CP was likely to result in more suppliers being covered by credit assessment scores and they have some concerns around the reliability and the review of independent credit assessments, the amount of cover provided and extent to which they reflect a supplier’s real credit risk. The Working Group noted this comment and highlighted that this CP wouldn’t impact the reliability of ICAs and how they reflect a suppliers risk and as such, this was an existing risk.