

Code Administrator Meeting Summary

Meeting Name: CMP311 (Workgroup 2)

Date: 23 May 2019

Contact Details

Chair: Paul Mullen

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Proposer: Simon Sheridan

Contact details: simon.sheridan@nationalgrideso.com

Key areas of discussion

The Workgroup discussed the following:

- Sharon provided an overview of policy documents that exist in terms of credit options. Central themes that Sharon articulated were that:
 - Ofgem's Best practice guidelines for gas and electricity network operator credit cover appear to remain valid and should therefore be the cornerstone of the workgroup's solution(s);
 - User allowed credit is set as a maximum 2% of that company's regulatory asset value; and
 - Network companies would still be reimbursed where suppliers' default albeit there may be timing differences.
- The bulk of the discussion focused on understanding the scope and benefit of the proposed Modification.
 - ESO confirmed that of the 10 suppliers that went out of business, all had earned a payment record sum; therefore, workgroup needs to consider if solution(s) need to just focus on addressing this area;
 - The consumer benefit proposed needs to be more fully explored as it was stated that additional costs for suppliers will ultimately be passed onto consumers; and

- Implementation Date of April 2020 seems tight given time suppliers will need to put in place new credit arrangements.
- A number of “alternative” options were suggested to minimise the risk of supplier failures rather than remove access to unsecured credit:
 - Allow payment record sum for only the 1st 2 years only;
 - Tighten the underforecasting tolerance level (e.g. from 20 to 10%) and consider if any required increase can be requested in a shorter period than 12 months; and
 - Could ESO take out a single insurance policy instead and suppliers pay premiums to cover the costs of this?

Next steps

The Workgroup agreed that the following next steps:

- Proposer to confirm his view on the scope of the defect and the options suggested by 10 June;
- Next meeting 17 June to 1) present viable options to address the defect and the consumer benefit for each of these 2) Identify any workgroup alternatives following this discussion and 3) Questions that the workgroup wish to ask as part of the workgroup consultation; and
- The following meeting (July – date TBC) will look to finalise the Workgroup Report and be in a position by the end of this meeting to go out to workgroup consultation.

Actions from this workgroup meeting (added to action log)

ID	Description	Owner	Due	Status
1	Issue workgroup outputs and action log to Workgroup	Code Administrator	30 May	Closed 31 May
2	Circulate the Ofgem policy documents that exist in terms of credit options	Sharon McCahey	30 May	Closed 30 May – documents forwarded on by Code Admin
3	Assess the scope of the defect and whether or not some of the alternative options proposed are within scope	Simon Sheridan	10 June	Ongoing
4	Issue agenda/papers for workgroup meeting on 17 June	Code Administrator	10 June	Ongoing
4	Confirm if the 2% of RAV is applied to NGET or National Grid ESO	Paul Hitchcock	17 June	Ongoing
5	Confirm process ESO follow if no Independent Credit Assessment is available	Paul Hitchcock	17 June	Ongoing
6	Confirm what has actually been used for each of the 3 areas of User Allowed Credit (Payment Record Sum, Independent Credit Assessment, Approved Credit Rating)	Paul Hitchcock	17 June	Ongoing
7	Confirm Independent Credit Assessment scores for the 10 suppliers that failed (if available)	Paul Hitchcock	17 June	Ongoing
8	Ofgem to attend next meeting and provide a view on the status of Ofgem’s Best Practice Guidelines	Pete Russell	17 June	Ongoing – Discussed 28 May with Pete. Ofgem to attend next meeting

For further information, please contact the Code Administrator.