

Minutes of Inaugural meeting of Credit Cover Steering Group

Present:

Peter Bucks (Chair)
Malcolm Sugden
Gavin Ferguson
Laurence Poel
Stuart Humphreys
Jorn Sturkenboom
Assheton Don
Eddie Hyams
Nilesh Chetty (Secretary)

Terms of reference for steering group

A draft terms of reference was discussed by the group. Peter Bucks added that the most important duty of the steering group was to guide the direction of the four working groups, such that the recommendations of these groups gives consideration to, amongst other factors, Ofgem's credit cover principles, achieve the overall objective of a coherent, cost-effective, non-discriminatory framework of best practice guidelines and are workable in practice.

There was broad agreement on the draft terms of reference. (Note: once finalised the terms of reference of the steering group will be placed on the Ofgem website).

The terms of reference for each of the working groups will be drawn up by the respective working groups. The terms of reference for each of the working groups will be circulated among all the chairs of the working groups.

Members of each of the four working groups

Each working group chair informed the steering group of the make up of their group. It was generally thought that each working group drew members from across all the industry groups. The benefit of using consultants'/specialists' credit cover experience in the groups was acknowledged. However, an alternative option to consultants/specialist joining the group would be for the groups to be drawn mainly from industry and invite consultants/specialists to present their ideas to the group.

It was agreed that Jorn/Assheton would contact representatives from the shipper community, from time to time, to gather their views on the work-in progress output from the four working groups and ensure they are properly represented in this steering group.

An issue was raised on how the working groups will fund the potential cost of engaging external parties to perform some of the work. Peter Bucks said that Ofgem had no budget set aside for such costs and hence any costs would need to be met by industry. Accordingly, arrangements would need to be agreed for funding and

recovery of these costs. As long as the costs were manageable, this should not cause undue difficulty.

The group discussed the benefits of transparency of the working group process by placing the minutes of the working groups' meetings on the Ofgem website. It was recognised that placing the minutes on the website may lead to an 'informal consultation' process and hence hold up the output of the working groups. The consensus view was that minutes of the working group meetings should not be placed on the website. Only minutes of the steering group will be placed on the Ofgem website.

Boundaries of each of the working groups

The group debated in which group 'escalation procedures' relating to late payment etc should lie. It was decided that the group "Payment terms and billing & collection procedures" will provide recommendations on the different options for payment terms etc in trade contracts. It was decided that the term "default" related to failure to adhere to the terms in the trade contact and hence the group "Remedies for payment default" would cover issues such as late payment of invoices etc.

Peter Bucks stressed that Ofgem does not seek to constrain the work of the groups, who should accordingly examine all options. Nevertheless, as Ofgem had made clear at the public seminar on 25 April 2003, Ofgem does not consider the arrangements presently entrenched in the DUoSAs, CUSC and Network Code credit rules are consistent with either the principles or the overall objective.

Timing of Deliverables

The four working groups will work towards a target date of 31 October 2003 by which date each working group will provide a final report setting out its recommendations accompanied by the rationale. A progress report is to be provided, by each of the working groups, for each meeting of the steering group.

The steering group will look to produce a consolidated document, based on the four final reports of the working groups, within 2 months of receipt of the final reports from the working groups. The consolidated document will take the form of an Ofgem consultation document which will also include consultation on Ofgem's bad debt pass through criteria.

The duration of the Implementation phase of the new arrangements will be dependent on the extent of change between the recommendations and "current state". The working group will debate the length of the implementation phase once the final reports have been received from the working groups, thus enabling the extent of the necessary change process for industry to move from the current credit cover arrangements to the recommended best practice credit cover guidelines to be known.

Next meeting

The next meeting will take place at 10.30am on Monday 28 July 2003 at Ofgem's offices.