

# CDSP SERVICE DOCUMENT

## CREDIT POLICY

Version: 1.0

Effective date: 15 December 2016

### 1 General

#### 1.1 Introduction

1.1.1 This document (**Document**) is the Credit Policy referred to in GT Section D3.1.4(iii) and Clause 3.3(e) of the DSC Terms and Conditions and is a CDSP Service Document.

1.1.2 This Document is an integral part of and is incorporated in the DSC.

1.1.3 The version of this Document which is in force, and the date from which it is in force, is as stated above.

#### 1.2 Interpretation - general

1.2.1 In this Document:

(a) **DSC** means the contract which is constituted by the DSC Agreement, the DSC Terms and Conditions and each of the CDSP Service Documents;

(b) **Uniform Network Code** or **UNC** means the uniform network code prepared pursuant to Standard Special Condition A11(6) of the gas transporter's licence, as from time to time modified, and as made contractually binding (as incorporated into an individual gas transporter's individual network code) by the relevant framework agreement;

(c) **DSC Terms and Conditions** means the DSC Terms and Conditions as defined in and for the time being in force pursuant to GT Section D;

(d) terms defined in the DSC Terms and Conditions and not otherwise defined in this Document have the meanings given to them in the DSC Terms and Conditions;

(e) terms defined in any other CDSP Service Document and not otherwise defined in this Document have the meanings given to them in that CDSP Service Document; and

(f) the further provisions of the DSC Terms and Conditions as to interpretation apply.

1.2.2 In the case of any conflict between the provisions of this Document and any other part of the DSC, the provisions of the DSC Terms and Conditions as to priority apply.

#### 1.3 Amendment

1.3.1 This Document may be amended in accordance with the applicable procedures contained in the Change Management Procedures.

#### 1.4 Interpretation - specific

1.4.1 In this Document:

- (a) **Approved Credit Rating** is a credit rating published by an Approved Credit Rating Agency;
- (b) **Approved Credit Rating Agency** means a credit rating agency approved by the Committee;
- (c) the "**Committee**" is the Contract Management Committee or any sub-committee established by it for the purposes of this Document, and references to the Committee are to the Credit Committee
- (d) **Credit Default Notice** means a notice substantially in the form set out in the DSC Credit Rules to the effect the Customer is in default of the requirements of this Credit Policy;
- (e) **DSC Credit Limit** is the sum of:
  - (i) the Customer's DSC Unsecured Credit Limit; and
  - (ii) the value of any security or surety provided by the Customer in accordance with paragraph 3.3,  
  
representing the Customer's maximum DSC Indebtedness;
- (f) **DSC Security** means such form of surety or security provided for in the DSC Credit Rules or otherwise approved by the Committee; and
- (g) **DSC Unsecured Credit Limit** is the credit limit determined by the CDSP in accordance with the DSC Credit Rules, whether by reference to an Approved Credit Rating or by alternative means.

## 1.5 Scope and purpose

1.5.1 The purpose of this Document is to set out:

- (a) the role and functions of the Committee;
- (b) arrangements for determining a Customer's DSC Credit Limit;
- (c) the basis for calculating a Customer's DSC Indebtedness; and
- (d) the procedures to be followed by the CDSP in connection with the management of credit risk to the CDSP.

## 2 Credit Committee

### 2.1 Role and functions of the Credit Committee

2.1.1 The role of the Committee is to assist the CDSP in connection with the management of credit risk to the CDSP.

2.1.2 The functions of the Committee include:

- (a) giving guidance to the CDSP in respect of the management of credit risk to the CDSP or in relation to any provision of this Document;

- (b) approving changes to the DSC Credit Rules or to the form of any DSC Security;
- (c) directing the CDSP in the circumstances referred to in paragraph 3.5.3 and 4.1.4 to issue a Credit Default Notice; and
- (d) directing the CDSP to take DSC Remedial Steps.

2.1.3 The CDSP is authorised to act on (and incur Costs based on) the decisions of the Committee as provided for in this Document (but without prejudice to the general authority of the CDSP to do whatever is necessary to perform the DSC in accordance with its terms).

2.1.4 The Committee shall not perform any of the functions of the Contract Management Committee (subject to paragraph 2.1.5) or the Change Management Committee.

2.1.5 If no sub-committee is established as the Committee, meetings of the Contract Management Committee for the purposes of conducting the business of the Committee shall be convened and held separately from meetings for any other business.

## 2.2 Meetings of the Committee

2.2.1 A regular meeting of the Committee shall be held every three (3) months (or with such other frequency as the Committee may itself determine).

2.2.2 The agenda of the regular meeting shall (unless the Committee decides otherwise) include:

- (a) in respect of the period since the previous meeting of the Committee, a report by the CDSP covering:
  - (i) CDSP cash collection and cash management activities;
  - (ii) the form and value of surety and security provided by Customers to CDSP; and
  - (iii) any breach of a DSC Credit Limit, and any late or non-payment of CDSP Charges by a Customer; and
- (b) each matter, listed as a function of the Committee in paragraph 2.1.2, which arises since the previous meeting of the Committee

2.2.3 The CDSP or any Committee member may put any other matter on the agenda of a regular meeting by notice to the person appointed as secretary of the Committee.

2.2.4 Where in the CDSP's opinion the urgency of the matter prevents the matter awaiting consideration at the next following regular meeting, the Committee shall hold a meeting where requested to do so by the CDSP on such notice as specified in the DSC Credit Rules.

2.2.5 The meetings of the Committee are not open to attendance by persons other than the Committee Representatives and the Credit Representatives of the CDSP; and accordingly MR Section 5.10 and GT Section D4.4.3 shall not apply to the Committee. Where the Committee is discussing a particular matter relating to a Customer at a meeting, the Committee may invite a representative of the Customer to attend.

## 2.3 CDSP Credit Representatives

- 2.3.1 The CDSP shall nominate (and may from time to time remove and replace) up to three (3) representatives (**Credit Representatives**), of suitable seniority and qualification, to represent it at meetings of the Committee, and shall ensure that at least one of its Credit Representatives attends each such meeting (but any other representatives of the CDSP may also attend any meeting of the Committee).
- 2.3.2 The Committee is entitled to assume that each of the CDSP's Credit Representatives is authorised to take any decision (on matters within the scope of this Document) on behalf of the CDSP unless such representative gives advance notice to the contrary.

## **2.4 CDSP and the Committee**

- 2.4.1 The CDSP may:
- (a) consult with the Committee in relation to any aspect of its functions under this Document, and may convene a meeting of the Committee for such purpose on reasonable notice; and
  - (b) invite the Committee to provide guidance on any question which arises in the operation of or the performance of the CDSP's obligations under this Document, and the CDSP will act in accordance with any guidance provided by the Committee.
- 2.4.2 Where the CDSP has reasonable grounds for wishing to consult with the Committee in relation to any step to be taken in accordance with this Document the CDSP may (where it has convened a meeting of the Committee) defer taking such step until it has consulted with the Committee.
- 2.4.3 Where the CDSP brings a matter to the Committee relating to a particular Customer, the CDSP will not disclose the identity of the Customer to the Committee unless:
- (a) the Customer agrees to such disclosure;
  - (b) it is not practicable for the matter in question to be discussed by the Committee without the identity of the Customer being disclosed or becoming apparent;
  - (c) the CDSP has given the Customer a Credit Default Notice; or
  - (d) a Transporter has notified the CDSP that it has given a Termination Notice to the Customer in accordance with TPD Section V4.3.
- 2.4.4 With the approval of the Committee, the CDSP is authorised to delay the implementation of any provision of this Document or to implement any such provision on a modified basis which (as respects the interests of Customers or the Customer in question) is less onerous than the provision in the absence of such modification.
- 2.4.5 No member of the Committee shall be liable (whether in contract, tort including negligence or otherwise) to the CDSP or any Customer for anything done when acting properly in connection with his office under the DSC, or anything done in what such member believes in good faith to be the proper exercise and discharge of the powers, duties, functions and discretions of that office in accordance with the DSC, and the CDSP and each Customer waives any such liability that any member may have and any claim in respect thereof.

## **2.5 Liability of the CDSP**

- 2.5.1 Where the CDSP has reasonable grounds for believing that any calculation required to be made by it for the performance of its functions under this Document has been or may have been made erroneously, the CDSP may (but shall not be required to) defer the taking of any step that would otherwise be required under this Document until the CDSP has had a reasonable opportunity of verifying such calculation.
- 2.5.2 Without prejudice to paragraph 2.5.3, nothing in this Document shall require the CDSP to take any step which the CDSP believes on reasonable grounds may result in its becoming liable to any person in damages or otherwise, whether or not the amount of any such liability would be recoverable under paragraph 2.5.6, but the possibility of a claim being made against the CDSP shall not of itself suffice for the purposes of this paragraph unless the CDSP believes on reasonable grounds that such claim would be well founded.
- 2.5.3 Each Customer authorises the CDSP to take any step contemplated by this Document, and agrees that the CDSP shall have no liability (in contract or tort including negligence or otherwise) to such Customer for taking any such step, and waives any such liability that the CDSP may have and any claim in respect thereof.
- 2.5.4 Nothing in this Document shall require the CDSP to take any step which conflicts with any requirement of Law or any order of any court of competent jurisdiction.
- 2.5.5 The CDSP will act in good faith in implementing the provisions of this Document but will not be liable (in contract or tort including negligence or otherwise) to any Customer for any failure or delay of the CDSP in doing so or in taking any particular step contemplated by this Document, and each Customer waives any such liability that the CDSP may have and any claim in respect thereof.
- 2.5.6 Where any person makes any claim (in negligence or otherwise) against the CDSP in consequence of the CDSP taking any step contemplated by this Document:
- (a) the CDSP will defend such claim and will (subject to any duties of confidence) consult with and keep informed the Committee in relation to such claim and the defence thereof, provided the CDSP may, with the agreement of the Committee, seek to settle rather than defend such claim; and
  - (b) the fees, costs and expenses incurred by the CDSP (including its own internal costs and expenses) in defending such claim, and any amounts which the CDSP may be found liable (or with the approval of the Committee may agree by way of settlement) to pay by way of damages or costs or otherwise in respect of such claim, shall be recovered from Customers in accordance with the Budget and Charging Methodology.

## **2.6 Contact Details**

- 2.6.1 Each Customer shall provide to the CDSP:
- (a) a single telephone number, a single address, a single email address by means of which the CDSP may contact a representative of the Customer for any purpose connected with this Document; and
  - (b) the name(s) and title(s) of the Customer's representatives at such numbers and addresses.

2.6.2 Each Customer shall give the CDSP notification of any amendment to the details provided under paragraph 2.6.1 no later than the day following the day on which such amendment has effect.

### **3 DSC Credit Limit, DSC Security and DSC Indebtedness**

#### **3.1 General**

3.1.1 The CDSP shall, in accordance with the DSC Credit Rules, determine and assign to each Customer a DSC Credit Limit, and will keep each Customer informed of its DSC Credit Limit (as revised in accordance with paragraph 3.2.1) for the time being.

3.1.2 The **DSC Credit Rules** are the rules from time to time established and revised by the CDSP and issued to Customers setting out (inter alia):

- (a) the principles on which the CDSP will assess and from time to time review (in accordance with paragraph 3.2.1) the creditworthiness of Customers (and persons providing security for Customers) and establish Unsecured DSC Credit Limits;
- (b) the specified forms and basis on which a Customer may provide DSC Security for DSC Indebtedness; and
- (c) procedures by which a Customer may discuss its DSC Credit Limit with the CDSP.

3.1.3 Subject to paragraph 3.1.6, and without prejudice to the express requirement under the Credit Policy to comply therewith, the DSC Credit Rules do not form part of and are not incorporated into the DSC.

3.1.4 With the approval of the Committee the CDSP may revise the DSC Credit Rules upon notice to all Customers of not less than two (2) months or such shorter period as in any particular case be approved by the Committee.

3.1.5 The CDSP will keep the DSC Credit Rules under review and the CDSP will discuss the DSC Credit Rules with the Committee at least once a year (or with such greater frequency as the Committee may require); and following any such review the CDSP shall revise the DSC Credit Rules where requested to make a revision by the Committee (unless the revision would put the CDSP in breach of Law or the DSC).

3.1.6 For the purposes only of enabling a Customer to propose a modification pursuant to the Modification Rules, the DSC Credit Rules shall be deemed to be incorporated into and form part of the DSC.

#### **3.2 DSC Credit Limit**

3.2.1 A Customer's DSC Credit Limit may be reviewed and revised from time to time in accordance with the DSC Credit Rules on not less than thirty (30) days' notice (or any lesser period agreed by the Customer) to the Customer:

- (a) at intervals of not less than twelve (12) months; and
- (b) where the review is requested by the Customer.

3.2.2 A Customer's DSC Credit Limit will be reviewed and may be revised immediately in accordance with the DSC Credit Rules:

- (a) where any Approved Credit Rating (or other published credit rating) is revised downwards;
- (b) where (without prejudice to any requirement in the DSC Credit Rules) any instrument of DSC Security expires or is determined;
- (c) following the appointment of any Supplier of Last Resort (as defined in TPD Section G2.1.7) by the Authority and TPD Section G2.18 applies, where the Customer is a Last Resort User (as defined in TPD Section G2.1.7); or
- (d) where the CDSP has reasonable grounds to believe that the effect of the review would be to reduce the Customer's DSC Unsecured Credit Limit.

3.2.3 The CDSP will not be required to agree to the request of a Customer under paragraph 3.2.1(b) unless the Customer agrees to reimburse the CDSP's reasonable costs and fees payable by the CDSP to any third party in connection with such request.

### **3.3 DSC Security**

3.3.1 Where a Customer wishes to have a DSC Credit Limit which is in excess of its DSC Unsecured Credit Limit the Customer may provide one or more of the forms of DSC Security.

3.3.2 Where a Customer proposes that any DSC Security be provided not substantially in accordance with the DSC Credit Rules, the CDSP will convene a meeting of the Committee and table the Customer's proposal; and the CDSP will not be required to accept the Customer's proposal unless and until the Committee have approved such proposal.

3.3.3 A Customer who has provided DSC Security may request the CDSP to release such DSC Security (in whole or in part), and following such request, provided the requirements of paragraph 3.3.4 are satisfied, the CDSP will as soon as reasonably practicable and in any event within thirty (30) days after such request, comply with such request.

3.3.4 The requirement is that at the date two (2) Business Days before the date of release or reduction the amount of the Customer's DSC Indebtedness is less than the relevant percentage of the Customer's DSC Credit Limit specified in the DSC Credit Rules (as calculated after taking into account the proposed release or reduction of the DSC Security).

3.3.5 An instrument of DSC Security shall not form part of the DSC; and no provision or modification of the DSC, nor any inconsistency between the DSC and any such instrument, and nothing done by the CDSP pursuant to the DSC, shall prejudice or invalidate such instrument.

### **3.4 DSC Indebtedness**

3.4.1 For the purposes of the Credit Policy and the DSC Credit Rules a Customer's **DSC Indebtedness** is:

- (a) the aggregate amount for which the Customer is liable to the CDSP pursuant to the DSC, determined on the basis of amounts accrued and irrespective of whether such amounts have been invoiced or (where invoiced) have become due for payment; less
- (b) any amount which has been paid to the CDSP by way of a prepayment, on the basis that the CDSP may apply such amount without the Customer's consent in or towards payment of amounts referred to in paragraph (a), and which has not yet been applied.

3.4.2 For the avoidance of doubt, the amount of a Customer's DSC Indebtedness shall be determined by the relevant provisions of the DSC Terms and Conditions, and nothing in such document shall be construed as withdrawing from a Customer the right to dispute whether the CDSP has correctly calculated such amount in any case, or from the CDSP the right to dispute the validity of any query submitted by any Customer.

### **3.5 Credit risk management by the CDSP**

3.5.1 Where a Customer's DSC Indebtedness:

- (a) exceeds the relevant percentage of the Customer's DSC Credit Limit as specified in the DSC Credit Rules, the CDSP shall give the Customer such notice as specified in the DSC Credit Rules to that effect; and
- (b) following notice under paragraph (a), exceeds the relevant percentage of the Customer's DSC Credit Limit as specified in the DSC Credit Rules, the CDSP will notify the Customer to such effect and request the Customer to provide additional DSC Security in such amount as required to reduce the Customer's DSC Indebtedness to below the relevant percentage of the Customer's DSC Credit Limit.

3.5.2 Without prejudice to paragraph 3.5.3, where a Customer fails to provide additional DSC Security where requested by the CDSP by the date specified in the CDSP's notice under paragraph 3.5.1:

- (a) the CDSP will notify the Committee, and:
  - (i) in the case of a Customer who is a Shipper User, each Transporter;
  - (ii) in the case of a Customer who is a Transporter, the Authority; and
- (b) where and for as long as the Customer's DSC Indebtedness exceeds the relevant percentage of the Customer's DSC Credit Limit as specified in the DSC Credit Rules the CDSP may suspend the provision of any Specific Service or Additional Service which the CDSP is providing to the Customer until such time as the Customer's DSC Indebtedness is reduced to less than 100% of the Customer's DSC Credit Limit.

3.5.3 Subject to paragraph 3.5.1, where and for as long as the defaulting Customer's DSC Indebtedness for the time being exceeds 100% of the Customer's DSC Credit Limit, the CDSP may convene a meeting of the Committee and the Committee may direct the CDSP to give a Credit Default Notice to the defaulting Customer in which case the CDSP will send a Credit Default Notice to the defaulting Customer, with a copy to:

- (a) in the case of a defaulting Customer who is a Shipper User, each Transporter and the Authority; and
- (b) in the case of a defaulting Customer who is a Transporter, to the Authority.

## **4 Payment of CDSP Invoices**

### **4.1 Failure to make payment**

4.1.1 If a Customer fails to pay any sum due by the due date of the invoice in respect of Service Charges, the CDSP shall submit to the Customer a notice, substantially in the form set out in the DSC Credit Rules, requesting the Customer pay the sum due in full within two (2) days of



the CDSP's notice, and notifying the Customer that unless payment is received by such date the CDSP shall:

- (a) notify the Committee of the Customer's failure to pay Charges by the due date for payment;
- (b) convene a meeting of the Committee, at which meeting the Committee may direct the CDSP to take one or more of the DSC Remedial Steps; and
- (c) take such DSC Remedial Steps as directed by the Committee.

4.1.2 For the purposes of paragraph 4.1.1 **DSC Remedial Steps** comprise:

- (a) reviewing and revising the defaulting Customer's DSC Credit Limit;
- (b) notifying other Customers of the defaulting Customer's failure to pay Charges by the due for payment;
- (c) accelerating the due date of payment for future invoices submitted to the defaulting Customer (by such period as approved by the Committee);
- (d) suspending the provision of any Specific Service or Additional Service, which the CDSP is providing to the defaulting Customer;
- (e) taking such DSC Recovery Steps as approved by the Committee; and
- (f) enforcing and realising DSC Security provided to the CDSP by the defaulting Customer.

4.1.3 The CDSP shall notify the defaulting Customer of the DSC Remedial Steps which the Committee has authorised it to take under paragraph 4.1.2; and where the CDSP is authorised to accelerate the due date for payment of future invoices:

- (a) such accelerated date shall apply for the purposes of Clause 5.2 of the DSC Terms and Conditions until such time as the Committee may decide; and
- (b) the CDSP shall not be required to agree a discount by reason of such accelerated invoicing.

4.1.4 Where and for as long as the defaulting Customer has not paid the CDSP any sum due in excess of the amount specified in the DSC Credit Rules, the CDSP may convene a meeting of the Committee and the Committee may direct the CDSP to give a Credit Default Notice to the defaulting Customer, in which case the CDSP will send a Credit Default Notice to the defaulting Customer with a copy to:

- (a) in the case of a defaulting Customer who is a Shipper User, to each Transporter and the Authority; or
- (b) in the case of a defaulting Customer who is a Transporter, to the Authority.

## 4.2 Enforcement

4.2.1 Where the Committee authorises the CDSP to enforce or realise DSC Security, the CDSP may take any step to enforce and realise DSC Security provided by a defaulting Customer (or on its behalf) where and for so long as any sum due for payment remains outstanding.

### 4.3 DSC Recovery Steps

4.3.1 For the purposes of this paragraph:

- (a) **DSC Debt** means unpaid indebtedness of a defaulting Customer in respect of any amount payable to the CDSP under the DSC;
- (b) **DSC Recovery Steps** are any steps (including any proceedings in any court, and including the defence of any counterclaim or other claim, proceeding or application made or brought by the Customer or a provider of security in connection with any such step taken by the CDSP) taken by the CDSP to recover any DSC Debt from a defaulting Customer, or to enforce or realise any security (including DSC Security) provided by a defaulting Customer, or to enforce any judgment against a defaulting Customer, or to make any claim in any insolvency proceedings relating to a defaulting Customer;
- (c) **DSC Recovered Amounts** means amounts recovered (by way of payment of debt or damages or otherwise) by the CDSP as a result of taking DSC Recovery Steps; and
- (d) **DSC Recovery Costs** means all fees, costs and expenses (including any payments the CDSP may be required to make by way of damages or costs or otherwise by any court) incurred by the CDSP in taking DSC Recovery Steps (and including amounts in respect of the CDSP's own internal costs and expenses).

4.3.2 The CDSP will keep the Committee reasonably informed as to the progress of such DSC Recovery Steps the Committee has authorised it to take in relation to DSC Debt and the CDSP will and shall be entitled to discontinue taking DSC Recovery Steps (other than any steps necessary for such discontinuance) where the Committee has authorised it to do so.

4.3.3 All DSC Recovery Costs and amounts of unrecovered DSC Debt shall be recovered from Customers in accordance with the Budget and Charging Methodology.

## 5 Miscellaneous

### 5.1 DSC Default

5.1.1 For the purposes of the DSC Terms and Conditions a DSC Default shall occur in relation to a Customer where the Committee directs the CDSP to give the Customer a Credit Default Notice pursuant to paragraph 3.5.3 or 4.1.4.

5.1.2 Following the giving of a Credit Default Notice by the CDSP to a Customer the CDSP shall be entitled to keep each Transporter and/or the Authority informed of:

- (a) the extent of the Customer's DSC Indebtedness relative to the Customer's DSC Credit Limit; and
- (b) any increase or decrease in the amount of the Customer's DSC Indebtedness as a result of amounts due for payment, or received from, the Customer.