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MP076 ‘Pursuing Non-Payment in Events of Default’

Change Board vote

About this document

This document summarises the discussions of the Change Board on MP076 and the outcome of the vote.

This vote forms a recommendation to the Authority on MP076.

Change Board vote

Change Board recommendation

The Change Board voted to recommend that the Authority should **approve** MP076.

The vote breakdown is summarised below.

Change Board vote				
Party Category	Approve	Reject	Abstain	Outcome
Large Suppliers	4	1	0	Approve
Small Suppliers	1	0	0	Approve
Network Parties	2	0	1	Approve
Other SEC Parties	3	0	0	Approve
Consumer Representative	0	0	0	-
Overall outcome:				APPROVE

One Large Supplier voted to reject the modification for the same reasons noted in their Modification Report Consultation response.

One Network Party member abstained from this vote as they were unable to confirm whether this modification would be a benefit to the Smart Energy Code (SEC).

The Consumer Representative was absent for this vote.

Views against the General SEC Objectives

Objective (b)¹

Three members of the Change Board believe that MP076 will better facilitate SEC Objective (b) as it could be argued that the implementation of this modification would support the First and Second General Objectives of the DCC. The First, from an economical and efficiency perspective, and the Second, from an effective competition perspective, would be facilitated by ensuring that Parties are not exposed to bad debt from competitors.

One member believes MP076 will be detrimental against SEC Objective (b), as it has greater potential to weaken the effective resolution of Events of Default, than it does to improve it.

The remaining members believe this modification is neutral against this objective.

Objective (d)²

The majority of the Change Board believes that MP076 will better facilitate SEC Objective (d) for the same reasons noted by the Proposer. This modification would reduce the exposure of bad debt from

¹ To enable the DCC to comply at all times with the General Objectives of the DCC (as defined in the DCC Licence), and to efficiently discharge the other obligations imposed upon it by the DCC Licence.

² To facilitate effective competition between persons engaged in, or in Commercial Activities connected with, the Supply of Energy.

Parties and ensuring that Users do not increase bad debt with the DCC, which will support more effective competition.

The remaining members believe this modification is neutral against this objective.

Objective (g)³

The majority of the Change Board believes that MP076 will better facilitate SEC Objective (g) for the same reasons noted by the Proposer. This modification would increase the robustness and rigour of the pursuit of non-payment process. This modification should also lead to bad debt being minimised and the recovery of bad debt a more efficient process. This modification also increases transparency as the actions of the DCC in cost recovery will be clearer as they will be based on Panel direction.

One member believes MP076 will be detrimental against SEC Objective (g), as it would add an additional level of governance which has no ultimate authority and so provides no benefit.

The remaining members believe this modification is neutral against this objective.

³ To facilitate the efficient and transparent administration and implementation of this Code.

Comments and discussions

Consultation responses

Five responses were received to the Modification Report Consultation, from three Large Suppliers and two Network Parties. Four respondents supported approving the modification, supporting the Proposer's rationale under objectives (b), (d) and (g). They also believed that the legal text provides clarity for the Panel and the DCC in pursuing non-payment in Events of Default, reducing the risk of bad debt being recovered.

A respondent who supported approving the modification commented on the implementation approach. They noted that they would prefer that this modification be implemented on 7 November 2019 (November 2019 SEC Release) as opposed to delaying to the 27 February 2020. They felt this modification should be treated as urgent, in light of nine Parties exiting the SEC in the last financial year alone.

One respondent (a Large Supplier) supported rejecting the modification as they believe it has greater potential to weaken the effective resolution of Events of Default, than it does to improve it. They added that the modification produces an additional level of governance which has no ultimate authority and therefore provides no benefit. Taking this into account the respondent believes that this modification is detrimental against SEC Objectives (b) and (g).

Change Board discussions

The Change Board had no comments on this modification.