

CAP088 Working Group Report

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Introduction

- Background
- Existing CUSC Provisions/ Best Practice Guidelines
- Original Proposal
- Working Group Discussions
- Working Group Alternative Amendment
- Views of the Working Group

Background

- CAP088 Proposed by National Grid at May Panel
- Considered by Working Group for 2 months
- One Working Group Alternative Amendment Developed

Existing CUSC Provisions/ Best Practice Guidelines

6.6.5 states 4% over base rate, accrued daily, can be levied on any CUSC party that fails to pay on the due date any amount properly due.

Ofgem Best Practice Guidelines - recommended application of rate in Late Payment of Commercial Debts (Interest) Act 1998

Original Proposal

- “Pure” Application of the Act
- Base rate + 8%

Working Group Discussions

- Does the Act say 8% is mandatory?
- Have NGC demonstrated 8% is appropriate in this industry?
- Is it possible to develop an Amendment which is linked to the Act but is more proportionate?

Working Group Alternative Amendment

- Sets level of interest as a proportion of rate prescribed in Act
- Base Rate + 75% of interest rate in Act
- Minimum level Base rate + 4%

Working Group Views

- Majority supported Original Proposal - believed this the best way to proceed in line with the best practice guidelines
- Significant minority supported the WGAA - believed it was more proportionate, and NGC had not made the case for 8%.
- Those who supported Original agreed WGAA better facilitated the applicable objectives than the status quo.
- Working Group Recommend CAP088 should proceed to Consultation