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11th June 2020

Your Reference: UNC Modification Proposal 0726(Urgent)

UNC Modification Proposal 0726(Urgent) - COVID-19 Liquidity Relief Scheme for Shippers

Dear Bob,

Thank you for your invitation seeking representations with respect to the above Modification Proposal which Cadent supports.

Do you support or oppose implementation?

Support

Relevant Objective:

d) Positive

Reason for support/opposition:

Cadent recognises the serious impact that Covid-19 is having on the energy industry and its customers and supports the need for all parties, shippers, suppliers, transporters, regulators and government to collaborate effectively to mitigate the most serious effects. In their letter '**Managing the impact of Covid-19 on the energy market – introducing the option of relaxing network charge payment terms for suppliers and shippers**', dated 02 June 2020, Ofgem outlined their expectation for the support they would like to see network companies provide to suppliers and shippers during this period. We believe this modification is consistent with the principles outlined in the aforementioned letter.

The modification, if implemented, would provide relief to those shippers experiencing liquidity issues which are solely Covid-19 related and who are unable to access alternative funding arrangements. It would do this by temporarily relaxing the payment terms for the largest invoices and not requiring additional security or surety to cover the 'deferred' payments.

By targeting only those shippers who are unable to access alternative funding elsewhere and setting a Transporter cap, the modification seeks to ensure that, the risk of any SOLR event, as a consequence of Covid-19, is minimised whilst at the same time protecting transporters own financial positions by ensuring financial covenants are not breached.

The modification is seeking to ultimately support the customers of otherwise efficient suppliers, via their shipper, and seeking to prevent any Covid-19 related disorderly exits from the market. In doing so it should reduce the risk of disruptive SOLR events which could have serious implications for industry participants and consumers (in particular vulnerable customers). We therefore believe this modification will further Relevant Objective d).

Implementation

Given the urgent nature of this Modification we agree with the proposer that implementation should preferably be immediately, and in any case no later than 23rd June 2020, following a decision by the Authority.

Impacts and Costs

No central systems costs are expected but both GTs, and Shipper Users who participate, will incur internal administration costs.

Legal Text

We are satisfied that the Legal Text meets the intent of the modification.

Are there any errors or omissions in this Modification Report that you think should be taken into account?

We have not identified any errors or omissions.

Please provide below any additional analysis or information to support your representation

Nothing further to add.

We trust that this information will assist in the compilation of the Final Modification Report. Please contact me on 07884 113385 (andy.clasper@cadentgas.com) should you require any further information.

Yours sincerely,

Andy Clasper