

Representation - Modification UNC 0726 (Urgent)

COVID-19 Liquidity Relief Scheme for Shipper

Responses invited by: 5pm on 12 June 2020

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Richard Pomroy
Organisation:	Wales & West Utilities
Date of Representation:	10 th June 2020
Support or oppose implementation?	Support
Relevant Objective:	d) Positive

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

These unprecedented measures would not be contemplated in normal times as the UNC does not envisage that Transporters provide unsecured credit to Shippers in excess of that considered prudent and reasonable. Given the current extra-ordinary circumstances we support the Modification as it provides a clearly defined scheme to support Shippers that may not have access to financial support to help them through the impacts of COVID-19. This Modification therefore furthers relevant objective (d) *competition between Shippers and competition between Suppliers* by providing support to certain Shippers for a limited period. This will help maintain the existing level of competition in the market and potentially avoid disruption were there to be a significant number of Supplier of Last Resort events.

Implementation: What lead-time do you wish to see prior to implementation and why?

The modification should be implemented immediately following a direction to do so from the Authority.

Impacts and Costs: What analysis, development and ongoing costs would you face?

WWU will need to put in place additional resource to administer the scheme including any bad debt.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

Yes, the legal text accurately implements the detailed provisions in the solution.

Are there any errors or omissions in this Modification that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

No.

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

If the Ofgem decision is not made by 23rd June then the available window for applications to the scheme for June Billing Period will be reduced unless this window is opened before the modification is implemented. If the decision is not made so that the application window is open before the end of June then our view is that the scheme will not be available for the June Billing Period. It would therefore only be available for July and August Billing Periods as the scheme ends with the August Billing Period due to the need for all monies to be repaid by the end of the 2020/21 financial year.

We support the eligibility criterion as this is designed to target support at Shippers that do not have access to other financial support. The Shipper cap likewise was put in place to ensure that the available relief was not taken up by a few large eligible Shippers. We believe that both are reasonable as they are based on immediately available public information. This is necessary in view of the urgency in setting up the scheme. A Transporter administered scheme could not use detailed information on Suppliers' or Shippers' financial position as this is commercially sensitive and therefore would not be available.

We support the strong provisions on Shippers being removed from the scheme if they default as these are designed to send a signal that the scheme rules need to be strictly met. Late payment of an invoice suggests that the Shipper is unable to make payments and the rules mean that this risk is apparent as early as possible. This gives the Transporter the longest time possible to pursue the debt and reduce its value before it is mutualised across other Shippers. We recognise that the risk of bad debt may concern non-Eligible Shippers. Shippers participating in the scheme need to ensure that they have put in place sufficient resources to understand the scheme and to make the required payments on time without fail.