Representation - Modification UNC 0797 (Urgent)

Last Resort Supply Payments Volumetric Charges

Responses invited by: 5pm on 04 January 2022

To: enquiries@gasgovernance.co.uk

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

Representative:	Dr Diana Casey
Organisation:	Energy Intensive Users Group
Date of Representation:	4^{th} January 2022
Support or oppose implementation?	Support~~/Oppose/Qualified Support/Comments~~* *delete as appropriate*
Relevant Charging Methodology Objective:	**a)** Positive/Negative/None* *delete as appropriate* **c)** Positive/Negative/None* *delete as appropriate*

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

The Energy Intensive Users Group (EIUG) supports this modification - including market segregation preceding volumetric charge allocation. The EIUG would not support volumetric allocation without segregation into domestic and non-domestic sectors.

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

Implementation should be as soon as possible to ensure that charges are appropriately allocated between sectors and across consumers.

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

No Comment

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

No Comment

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

No Comment

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

The cause of such high Supplier of Last Resort (SOLR) costs have arisen from domestic suppliers effectively ‘short selling’ gas and power for which they had no underlying forward trades, or having inadequate risk management in place. The domestic price cap has exacerbated this position. Licensing by Ofgem should have ensured that a greater level of supplier security against exposure to market volatility was in place when supplying domestic consumers.

In contrast, for many large industrial customers, this market price risk is not taken by the licensed suppliers as any exposure is passed through to end consumers via their flexible purchasing supply contracts. A large part of the industrial consumer base therefore accepts market price risk themselves and the supplier takes little or no associated market risk.

Given the above, there is a clear difference between supplier’s exposure to market prices when supplying domestic consumers and when supplying larger industrial consumers. It would therefore be plainly unfair to allocate any of the domestic sector SOLR costs to industrial consumers on flexible purchasing supply contracts who bear the market risk themselves, with suppliers not taking any of the attendant market risks.