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:	John Costa
Organisation:	EDF
Date of Representation:	4th January 2022
Support or oppose implementation?	Oppose
Relevant Charging Methodology Objective:	**a)** None – impossible to say if it complies with GDN's licences/ charging methodology given the insufficient amount of time (1 week over the festive period) to assess such a critical proposal at a critical time where so many critical moving parts could have a material impact on the £877m of SOLR costs that need to be recovered and which GDNs, and thus suppliers, have already taken into account in their April 2021 charges. **c)** Negative – given the points above and below implementation in April 2022 of such a fundamental change without proper consideration and time to understand/ implement system changes, processes and consumer tariffs is likely to have unintended consequences and cause pricing volatility which will be detrimental to competition between gas shippers/ Suppliers and therefore consumers.

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

EDF strongly opposes this modification because of the points below but fundamentally because there has been no time whatsoever afforded to Shippers and Suppliers to understand the impact of such a critical change at such a critical point in time for consumers and the energy industry given the unprecedent increases in gas prices and consequent record number of supplier failures. We, along with other prudent Suppliers have already fixed charges for April 2022 and therefore implementation on this date this will create further financial risk for suppliers and consumers.

These arguments (below) apply also to modification UNC687 which has been outstanding now for over 2 years since it was sent to Ofgem and has only been rapidly reprioritised with a new consultation on a new varied UNC687 modification dated 14th December following Ofgem's comments. Ofgem highlights in their Urgent mod UNC797 decision letter that both modifications are alternatives but as such there is insufficient time to consider the two together, the implications and merits of one over the other.

If either modification were to be implemented a delay of 12 months would be needed to allow enough time for the industry along with Ofgem to identify the impacts from the other fundamental reform below happening this Q1 and design a robust final mod proposal that could be properly consulted on and efficiently and prudently implemented in the interest of consumers.

1. Suppliers have fixed Tariffs for customers for the April 2022 year, and it will mean a windfall for non-domestic suppliers (customers could be overpaying) and further unjustified cost increase for Domestic suppliers at a time when so many are struggling and failing. This could precipitate this vicious circle and decrease competition even further and for these reasons neither UNC797 nor UNC687v meets Relevant Objective C (the facilitation of effective competition between gas shippers and between gas supplier).
2. Insufficient time to consider the two proposals alongside each other in order to understand the full impact across all shippers/ suppliers and therefore consumers.
3. Lack of impact assessment for such a material mod and value (£877m) at a critical point in time
4. Linked to the SVT Cap review – we know there is a material review of the customer tariffs in hand and therefore this leaves little time to consider this interaction. For example - UNC797 proposes recovery on a pence per peak day KWh, whereas, the SVT Cap tries to convert this into pence per KWh charge. This will create unintended consequences and potentially Winners and Losers along with likely increased charging volatility.
5. The interaction of Ofgem's 3rd party SOLR financing review – Ofgem issued this review on 30th December which could also have a material impact on the recovery of SoLR costs and the way GDM recover their costs. Time is needed to consider the implications of this proposal alongside these two modifications.
6. The notice period for fundamental transportation charge changes has been increasing from 6 to 15 months to provide certainty and consistency in charging (see Gas charging review UNC621/678 objectives) and implementing such a rapid and fundamental change with a maximum of 2 months' notice will have unintended consequences and set a dangerous precedent. In Electricity the default notice period for Distribution (Duos) charges is 15 months and therefore a 12 month notice period would be consistent with this.
7. Insufficient time for GDNs and Shippers / suppliers alike to make the necessary system changes.

Given all these material issues above, notwithstanding the fact that 0797 is dealing now with circa £877m compared to £5.7m under mod 687V, this mod needs much more development and consideration with so many other moving parts to ensure there are no unintended consequences or market distortions before it can be implemented. We strongly suggest an Impact Assessment is undertaken to fully understand the impacts on consumers before it can be implemented along with a sufficient notice period.

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

We believe there is insufficient time for GDNs and Suppliers to change their systems and processes and tariffs for a 1st April 2022 implementation date given how much work is needed in understanding the implications and deciding on the best coordinated approach to take in the consumer's interest before then.

Further as noted the notice period for transportation charge changes has been increasing from 6 to 15 months and implementing such a rapid and fundamental change with a maximum of 2 months' notice will have unintended consequences and set a dangerous precedent. We suggest a minimum of 12 months' notice on the final detailed proposal and therefore not before April 2023.

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

Impossible to calculate the impact on our business and our customers due to the lack of time and impact assessment on both suppliers and consumers.

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

As above.

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.*

As above.

Please provide below any additional analysis or information to support your8 representation

As above.