

Representation - Draft Modification Report UNC 0865S

Permitting DNOs to charge Shippers negative Supplier of Last Resort (SoLR) unit rates

Responses invited by: **5pm on 09 January 2024**

To: enquiries@gasgovernance.co.uk

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

Representative:	Edward Allard
Organisation:	Cadent Gas Limited
Date of Representation:	08/01/2023
Support or oppose implementation?	Support
Relevant Objective:	c) Positive d) Positive
Relevant Charging Methodology Objective:	c) Positive

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

Cadent support implementation of this modification, as it will amend existing provisions within the Uniform Network Code to permit distribution networks to make payments to shippers in the event of negative SoLR customer charges.

Although Ofgem's 14th December Decision on LRSP Claims confirmed positive SoLR charges for 2023, there remains the possibility of negative charges in future years; implementation of this modification will ensure that an enduring regulatory mechanism is in place.

We have outlined our rationale to support our views on the impacts on the Relevant Objectives and Relevant Charging Methodology Objective (above):

Relevant Objective c) "*Efficient discharge of the licensee's obligations*" =

We agree with the proposer's assessment of their modification's meeting of Relevant Objective C. The implementation of modification 0865 will enable Distribution Networks to pay negative SoLR Customer Charges in adherence with Standard Special Condition A48.

Relevant Objective d) "*Securing of effective competition....*" =

We believe that implementation of modification 0865 will further this Relevant Objective relating to securing of effective competition, as it will introduce a mechanism for overpayments to suppliers to be recovered by shippers, creating a financial benefit that may be in turn passed onto customers.

Relevant Charging Methodology Objective c) “*That so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers*” =

Similar to the principle behind furthering Relevant Objective C above, implementation of this modification may facilitate effective competition between gas shippers, as it would allow recovery of previously overpaid LRSP.

Self-Governance Statement: *Please provide your views on the self-governance statement.*

Cadent agrees with the proposer’s recommendation that this modification should be subject to self-governance. The principle and framework for SoLR payments was designed through modification’s 0797 process and was subject to authority direction.

Modification 0865 proposes a relatively simple amendment to the UNC, and retains the high-level principles agreed in 0797. Additionally, the modification acts as an enabler, in that it introduces a mechanism for payments to shippers in the event of future negative SoLR claims; Ofgem determine if shippers have made overpayments and to what extent.

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

The modification’s required timelines were discussed at UNC panel on December 14th, 2023, and shortened timelines were recommended to allow for implementation as close to January 31st, 2024, as possible.

Industry were working on the basis of Ofgem’s October 2023 minded-to-position at this time and weren’t yet aware of the decision document confirming positive 2023 SoLR payments.

Given Ofgem’s confirmation of positive 2023 SoLR payments, the time-sensitivity around implementation of this modification has been removed and as such, the modification should be implemented as soon as reasonably practicable, rather than for a targeted date.

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

No costs or impacts resulting from implementation of the modification identified. The modification will allow for the repayment of LRSP to shippers as part of the truing up process.

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

We are satisfied that the Legal Text will deliver the intent of the solution.

Modification Panel Members have requested that the following questions are addressed:

Q1. Consider unintended consequences of allowing positive and negative SOLR charges.

Cadent have not identified any unintended consequences that would result from implementation of this modification.

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.*

None

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 completion of the Final Modification Report.

Please contact me on 07891670444 (Edward.allard@cadentgas.com) should you require any further information.