

UNC 0688:

Recovery of Shipper Losses incurred in Supplier of Last Resort events



Proposer: Lian Tooley (CNG Ltd)

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Why change?



- Currently, when a Supplier is in financial failure, Ofgem will carry out various checks and look to appoint a Supplier of Last Resort (SoLR), who will be assigned the affected customers. The SoLR Supplier is able under the Supplier licence to claim for the costs it has incurred from taking on these customers.
- In the period between the failure and the relevant Supply Meter Points transferring to the new Supplier under SoLR, the Shipper registered for the Supply Meter Points is still liable for all the costs of supplying them.
- There is currently no avenue of protection through legislation for the Shipper who also has no control over the timescales involved in the process.

Options



- As other gas shippers (and their associated suppliers) benefit from the increased competition provided by the SoLR process, it seems appropriate that, like the SoLR process, other parties underwrite the cost exposure of the affected customers and their shipper.
- In theory there could be a licence change to accommodate that requirement (Shipper of Last Resort claims), but there is no indication of any such process being considered.
- Alternative is to create a process in the UNC to recover these costs from other shippers.

Solution



- Shippers are able to claim any costs incurred as part of a SoLR event via Balancing Neutrality Charges.
- Shippers will be able to claim the wholesale gas, transportation and Unidentified Gas costs for the period between the Supplier going into administration/having its licence revoked and the transfer of the customers to the appointed Supplier in the agreed timescales.
- Costs will be recovered via the balancing neutrality process.

Recommended Steps



- The Proposer recommends that this modification should be:
 - The impact on a particular Shipper from these costs is potentially significant, but the total costs incurred by the market via the Balancing Neutrality Charges as a whole is not likely to be considered material as the claims will be relatively infrequent and across the whole industry. It is considered that the proposal is not a material change and therefore should be subject to self-governance
 - Workgroup assessment to develop the modification for 3 months