

Representation - Draft Modification Report UNC 0687

Creation of new charge to recover Last Resort Supply Payments

Responses invited by: **5pm on 06 September 2019**

To: enquiries@gasgovernance.co.uk

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

Representative:	Megan Coventry
Organisation:	Southern Electric Gas Limited
Date of Representation:	28/08/2019
Support or oppose implementation?	Oppose
Relevant Objective:	a) Negative c) Negative

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

Our arguments in opposition to the modification are as follows:

- 1) The modification goes beyond the vires of the UNC Panel by attempting to change the SoLR levy claim process, which is an Authority scheme enshrined in licence.
- 2) Variance from the scheme in the UNC would introduce inconsistency between the UNC and licence. Market sector specific recovery undermines the conditions set out in the supplier and transporter licences for cost recovery on the basis of the whole market.

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

We are opposed to implementation. Further detail of exact Code/ licence change would be needed for full impact assessment, to then gauge the required lead-time to implement.

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

System and process change would be required – further detail of exact Code/ licence change would be needed for full impact assessment.

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

Yes – although we oppose the intent of the solution.

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.*

Firstly, the modification report does not consider that the proposal to recover costs originating from each market sector is a direct change to the SoLR levy claim process which is written into the standard conditions of the gas supplier and transporter licences. The power to amend the SoLR levy claim process lies with the Authority and is not within the vires of the UNC Panel.

Secondly, the modification report does not take into account the original intent of the SoLR levy claim process within licence, under which the Authority have determined that costs of market failure should be borne equally across the market, across both fuels. As such, the modification proposal for market sector specific recovery is inconsistent with licence requirements:

- Condition 48 of the gas transporter licence requires only that a transporter should increase their charges to compensate suppliers for SoLR claims. It does not allow for differentiation in apportioning charges across different market sectors.
- Condition 9.8 of the gas supplier licence requires that a supplier claim is based on the number of premises located in a transporter area, there is no consideration given to market sector.

To split charges by market sector would introduce uneven collection of levy claims between transporters (the mix of domestic and non-domestic premises not being equal across the country). Moreover, the basis of the claim from any gas supplier to a gas transporter is specified in the supply licence. Therefore, the conflicting methodologies would require the Authority to implement licence changes for this modification to proceed.

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

For the reasons as described above, the impact of the modification on all the Relevant Objectives is negative.