

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:	Vicky Bell
Organisation:	Utilities Services MediaCityUK Ltd
Date of Representation:	6 January 2022
Support or oppose implementation?	Oppose
Relevant Charging Methodology Objective:	a) Negative c) Negative

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

Given the short timescales available to assess this change, we have not had the time to conduct a full impact assessment however do wish to record our objection to the proposal.

We currently run a Combined Heat & Power (CHP) plant which provides heat and/or hot water to 3,860 domestic customers and 14 non-domestic customers. As our business is classed as a non-domestic business, we could be impacted more by this proposal which is attempting to protect domestic gas consumers from increasing gas prices as a result of the current energy crisis. Whilst this is a plausible principle, it is equally important to understand the potential impact on other domestic customers that are serviced through other sources who are classified as large users of gas. To ensure our business remains financially viable, we would have no option but to pass on any inflated costs to our consumers, some of which may be experiencing financial difficulties and heading towards fuel poverty; we would therefore encourage wider considerations be made to protect all domestic consumers that would be impacted and not just those consumers that are direct users of gas.

As a result of the recent increase to UIG we have already experienced a circa 40% price increase in standing charges which we have absorbed having received no notice of the significant increase. This change proposal if approved may lead to another significant price increase given that we are classified as a large user. I would urge both the Panel and the Authority to consider the consequential changes of this modification and wider ramifications on domestic customers in the heat network industry; equally given the recent BEIS publication providing approval to regulate heat networks it is worth considering how changes made to pricing now may need to be revisited once formalised under a regulatory setting and the potential consequence to heat network businesses

should they find that the business is no longer financially viable to run. Whilst we appreciate there is no easy solution to the current energy crisis and continually rising wholesale gas prices, I would urge caution in implementing solutions without providing all impacted business and consumers enough time to fully impact assess any such proposals.

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

We would suggest a minimum 6 to 12 month lead time to implementation which would provide sufficient time to review our pricing and provide sufficient notice to customers of increases to their charges for the use of heat and hot water. To support implementation all required data needs to be published and available well ahead of any proposed implementation date.

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

Minimal costs to deliver however we have not had time and there is insufficient information available to conduct a full financial impact assessment to quantify the cost to our business and therefore the pass on costs to the customers of our heat network.

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

We have not reviewed the legal text drafted.

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.*

If provided with more time and more information, we could share the forecasted financial impacts to domestic customers of our heat network; any such consequential changes to the wider industry should be detailed and considered as part of this proposal.

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

Having taken some time to read through all of the published documents including Ofgem's release, this appears to have been rushed with very little risk analysis considered for either the volumetric or fixed charge approach. We would encourage that should a decision be made on either of these approaches, the method needs to be standardised across all GDN's.

More risk analysis is required to determine and quantify the potential risks impacts for the proposed change to either volumetric or fixed charges however there is not currently enough information available for us to be able to accurately evaluate this. We would encourage that this be considered and for the opportunity to be provided to undertake this before any change is considered for approval.