

Representation

Draft Modification Report

0398: Limitation on Retrospective Invoicing and Invoice Correction (3 to 4 year solution)

Consultation close out date: 09 January 2012
Respond to: enquiries@gasgovernance.co.uk
Organisation: First Utility
Representative: Chris Hill
Date of Representation: 09 January 2012

Do you support or oppose implementation?

Not in Support

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

We believe that implementation of the Proposed UNC Modification would be likely to have a negative impact on competition in the non domestic gas supply market. This is due to the fact that a supplier might find itself in a situation where costs relating to supplying a customer or group of customers need to be reconciled for a period of up to six years (in line with the Statute of Limitations Act) while being unable to reconcile with Xoserve for the same period which creates a significant risk. While we accept that the risk already exists given the current 4-5 year reconciliation rules in gas, we feel that this risk would only be compounded by reducing the reconciliation period to 3-4 years and also feel that this change would be likely to disproportionately benefit larger vertically integrated suppliers who are better able to absorb any financial impact resulting from this due to the size of their businesses and the economies of scale that they enjoy. It would appear to us that this Modification has been raised by the proposer with the aim of reducing suppliers' exposure to large and unexpected charges resulting from events such as interface meter errors. However, we do not feel that the potential competition effects on a sector of the market where competition is alive and well have been appropriately considered, particularly as LSP only suppliers will also contribute to RbD in the near future thus reducing the risk burden on primarily domestic suppliers.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

No.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

We believe that implementation of the Modification would have a negative impact on relevant objective (d) (ii) – the securing of effective competition between Suppliers.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

It is possible that there would be a significant financial impact resulting from the circumstances described above if the proposed Modification were to be implemented.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why? Modification Panel Members have indicated that it would be particularly helpful if respondents could indicate their preferred implementation timescale.

First Utility does not support implementation. However, if Ofgem were to decide to implement we would request a 12 month lead time to enable non domestic suppliers to prepare for the potential impacts of this and resolve outstanding historic reconciliations.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

Yes.

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

No.