

UNC 0687:

Clarification of Supplier of Last Resort Cost Recovery Process



Proposer: Andrew Green (Total Gas & Power)

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Why change?



- In the last 12 months there have been a number of Supplier of Last Resort (SoLR) events that have resulted in claims from SoLR suppliers for their outstanding costs (Last Resort Supply Payment or LRSP).
- At present there is little detail in the Gas Transporter licence on how these costs are recovered from the wider shipper community.
- The lack of detail on how costs are allocated to customers can potentially create confusion on how these costs are apportioned. In addition, it also means that customers may end up cross-subsidising SoLR events from other market sectors.

Options



- Though in theory this change could be reflected in the licence, this would be onerous to achieve and result in potentially long timescales for any amendments.
- Most appropriate place to provide clarity is in the GDN transportation charging statements.

Solution



- It is proposed that a new customer charge, the SoLR customer charge, is introduced into the Gas Transportation charging statements.
- This new charge will be split by domestic and non-domestic Charging Codes.
- The charge, which will be on a Supply Meter point basis, will be calculated to recover the costs originating from each market sector, with mixed portfolios allocated by market sector.

Recommended Steps



- The Proposer recommends that this modification should be:
 - Two LRSP claims have been approved since January 2018. In both cases the materiality of the claim amounts to around £5.9m for the gas market. This clearly demonstrates that any change on how these costs are allocated will have a material impact on Shippers and therefore competition in, or commercial activities related to, the shipping, transportation or supply of gas so this Modification will require Authority Direction.
 - Workgroup assessment to develop the modification for 3 months