

Representation - Modification UNC 0726 (Urgent)

COVID-19 Liquidity Relief Scheme for Shipper

Responses invited by: **5pm on 12 June 2020**

To: enquiries@gasgovernance.co.uk

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

Representative:	Kirsty Dudley
Organisation:	E.ON
Date of Representation:	12/06/2020
Support or oppose implementation?	Oppose
Relevant Objective:	d) Negative

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

We are not in support of this modification – our rationale is as follows:

- It is not a solution which is offered to the whole market. Only those who are eligible and although we recognise that different risks are applied in different areas of the market, there should not be disparities in the offerings. This could be a disadvantage to some and contradict competition law through the application of dissimilar conditions to similar transactions.
- The payment break could assist those eligible to price differently and could have an unfair advantage compared to those who are not eligible and who cannot price differently as they are not in receipt of the same relief. This could have impacts on Suppliers and their approach to the price cap which would go against the principle that it is meant to be 'a fair price for energy' that reflects the true cost of energy.
- The lack of further security arrangements is of concern as well as no definitive sanctions. Should the Modification be approved the risk of failure is just being moved around. The proposal supports those organisations that have adopted less sustainable and higher risk business models. Special provisions such as this one should not be put in place to benefit those who have not acted responsibly by building adequate cashflow reserves for times of hardship.
- It is clearly outlined that the CDSP's decision on eligibility is final, but it is not clear how they will ensure it is not abused or misused. The interest element may act as

a deterrent, but this sanction is relatively weak. We would therefore call for much more stringent controls and sanctions to be in place.

- Should an organisation still fail even after relief is provided, it is our assessment that the networks will be unharmed. Instead the cost of failure will fall onto those more risk averse Suppliers and onto consumers. To prepare for further failures, as well as those that have already occurred, the price cap methodology should be updated to consider these additional costs (so that it reflects the “true” cost of supplying energy. We have already stressed this message in responses to Ofgem.
- As an urgent modification, the implementation decision making falls to the authority. As Ofgem has in part instigated this approach (although sponsored by a transporter), we ask how Ofgem can make a without prejudice decision on this solution?
- We are supportive of intervention by Ofgem to support with the ongoing COVID-19 challenges, but this support must be equitable and benefit all participants. Building on the points above, the most pragmatic approach would be to amend the price cap methodology so that it considers the additional costs that participants are facing, as a consequence of COVID-19, which include increased bad debt coupled with industry costs that are not declining.

Overall, we understand the reasons why this Modification has been put forward, but we strongly oppose as it puts those that have built sustainable business models at a distinct disadvantage.

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

If approved, immediately on approval.

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

Minimal costs expected to deliver the solution.

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

No comments.

Are there any errors or omissions in this Modification that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

No comments.

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

No comments.