

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:	John Costa
Organisation:	EDF
Date of Representation:	12 th June 2020
Support or oppose implementation?	Oppose
Relevant Objective:	d) Negative – likely to distort and decrease competition

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

We understand and support Ofgem’s ambition to help Shippers and Suppliers struggling financially as a result of Covid-19. However, as set out this proposal has flaws which will result in a risk that it could distort market competition.

This is partly because not all Suppliers can access it, given that only Shippers can apply for this financial relief. There is no guarantee that a Supplier’s Shipper would pass any funding to them as they are under no obligation to do. This proposal does not provide a solution to this issue.

As intended by the modification there is also no guarantee that Xoserve could accurately assess whether any company applying may be operating an unsustainable business pre Covid 19 issue and will seek administration at a later date, but before any monies they have received are repaid. This proposal may only delay such an outcome and result in higher level of bad debts needing to be mutualised.

As such, and considering the £112.5m fund available, there is a credible risk that gas Suppliers and Shippers, and ultimately their customers, will have to finance this extra bad debt next year. We believe that greater transparency of take up of this facility and regular reporting on repayment should be part of the modification so that other Shippers/Suppliers can effectively estimate potential mutualisation levels to be recovered in 2021.

Lastly, it is important that Ofgem’s price cap take into account these additional potential costs and more broadly increasing bad debt costs as result of the Covid 19 crisis.

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

The mod should not be implemented.

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

This proposal has the potential to cause £100m's of extra costs to consumers through mutualisation if those accessing the scheme ultimately fail.

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

N/a

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 justification or supporting analysis was raised to support this fundamental and complex proposal.

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

N/a.