

## 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](mailto:enquiries@gasgovernance.co.uk)

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

<b>Representative:</b>	Phil Lucas
<b>Organisation:</b>	National Grid NTS
<b>Date of Representation:</b>	11 June 2020
<b>Support or oppose implementation?</b>	Support
<b>Relevant Objective:</b>	d) Positive

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

National Grid NTS (National Grid) are supportive of this Modification Proposal and believe it aligns with the Ofgem’s COVID-19 priorities of supporting vulnerable customers and its Open Letter dated 2<sup>nd</sup> June 2020<sup>1</sup>.

National Grid understands that the unprecedented measures implemented to address the Covid-19 pandemic has the potential to adversely affect the cash flow position of a number of market participants, including gas suppliers and shippers. Recognising that consequential disorderly exit from the market by impacted suppliers and shippers would create disruption for consumers and potentially create a material reduction in competition, National Grid believes that this Modification would better facilitate relevant objective d) the securing of effective competition.

This is on the basis that enabling eligible shippers additional time to pay the specified transportation charges will ease the cash flow burden on such shippers for a limited period during GB’s response to the Covid -19 pandemic. As the contractual relationship for a Gas Network is with the Shipper, the relief via this scheme is focussed on their invoices. However, it is envisaged that the shipper will be able to pass this onto to their respective suppliers and consumers so that the relief can be targeted at those who need it most.

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<sup>1</sup>

[https://www.ofgem.gov.uk/system/files/docs/2020/06/open\\_letter\\_on\\_relaxing\\_network\\_charge\\_payment\\_terms\\_0.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/06/open_letter_on_relaxing_network_charge_payment_terms_0.pdf)

### **Implementation:**

Recognising the time limited nature of the Proposal, National Grid is able to implement the necessary arrangements in respect of the June 2020 Billing Period (Transportation invoices issued in July 2020).

### **Impacts and Costs:**

Additional administration activities will need to be undertaken as part of National Grid's cash collection process to operate the scheme over the three month period of application. At present, this is expected to be managed within existing resource levels, however it should be noted that the level of take up of the proposed scheme is unclear at this stage.

The level of any additional costs incurred by the CDSP in administering the Shipper eligibility aspect of the scheme are unclear at this stage. National Grid may incur additional CDSP costs as a consequence of this assessment when undertaken.

### **Legal Text:**

National Grid is satisfied that the legal text will deliver the intent of the solution.

### **Are there any errors or omissions in this Modification that you think should be taken into account?**

We have not identified any such errors or omissions.

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

The constraints and limitations inherent in the scheme seek to strike the appropriate balance between accessibility (for Shippers) and affordability (for networks) noting that Ofgem's expectation is that this scheme will act as a "last resort" form of liquidity for those Shippers unable to access alternative forms of financial support. We believe that the solution detailed in this Proposal effectively strikes this balance.

We note that in its open letter, Ofgem acknowledged that network companies will be able to recover any outstanding bad debt accrued under this scheme within the year 2021/22 and that in due course any necessary licence changes to facilitate this will be proposed.