

Representation - Draft Modification Report UNC 0824 (Urgent)

Appointment of CDSP as the Scheme Administrator for the Energy Price Guarantee (EPG) for Domestic Gas Consumers (Gas)

Responses invited by: **12 noon on 21 September 2022**

To: enquiries@gasgovernance.co.uk

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

Representative:	Richard Pomroy
Organisation:	Wales & West Utilities
Date of Representation:	21 st September 2022
Support or oppose implementation?	Comments
Relevant Objective:	<p>d) None</p> <p>e) None</p>
Relevant Charging Methodology Objective:	Not Applicable

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

WWU supports the aims of the Energy Price Guarantee scheme; however, given that the scheme rules are not available we have significant concerns with the modification as first issued; this includes the lack of protection for UNC and DSC parties against risks from the scheme affecting core CDSP activities. As an example the lack of scheme rules means that we cannot validate the level of liability Xoserve is taking on as scheme administrator.

The time allowed for consultation responses is inadequate to fully assess this change.

Consistent with our position on UNC 0666 *Establishment of a CSS Bid Group for CDSP central switching system bid activities*, we do not believe that the role of EPG scheme administrator is a CDSP activity as originally contemplated. See further information for more detail on this point.

We recognise that this change supports UK Government policy, and the Authority may determine that implementation is in the best interests of consumers in line with its statutory duty; however, we struggle to see how the scheme furthers relevant objectives (d) and (e). See further information for more detail on this point.

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

There is no direct impact on WWU, but the scheme needs to be functioning by 1st October 2022 to meet UK Government deadlines.

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

There are impacts on Xoserve business as usual activities as resources are diverted to develop and run the processes to administer the scheme and we expect to experience indirect costs from delays to these activities.

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

We have provided comments on the original legal text to NGN. The original legal text gives Xoserve the powers to administer the scheme but provides no protection to UNC parties and DSC parties from risks that may result from the scheme. There are several references to the scheme rules; however, as these are not available, we cannot rely on assumptions or assurances about what those rules may contain. Our key points on the original text were:

1.9.5 We would like the UNC text to be clearer on the status of the bank account, we understand that it is to be a client account and not in the name of Xoserve but this is not clear in the legal text and therefore suggests a risk that the account is in the name of Xoserve and hence DSC parties are exposed to any cash flow risks.

1.9.6 states that the EPG Scheme Administrator is not required to make payments where there are insufficient funds in the account; we think that there should be an absolute prohibition otherwise there seems to be a risk to DSC parties.

1.9.8 seems to give the CDSP the right to amend CDSP services without limit for the purposes of the scheme, we think that some limits on this should be set.

1.9.9 states that other than as provided for in the unseen EPG Scheme Document, all parties waive rights against the CDSP. Without seeing the scheme rules this suggests that UNC and DSC parties bear the risks of the scheme. We understand that the scheme rules propose that Xoserve bears no risk as Scheme Administrator; however, to provide some protection for UNC parties we think that the text should commence with text to the effect of "Where Xoserve bears no liability under the Scheme Document, except for fraud,". Wording of this sort would protect UNC parties if the Scheme Document did place some liability on Xoserve.

1.9.10 states that the costs of the scheme are CDSP costs, but does not state who bears them, we assume Shippers but request clarity on this point.

1.9.11 contains a typographical error "with" instead of "without". The intention of this clause is for the UNC text relating to the scheme not to be amendable without the agreement of the Secretary of State. This effectively means that UNC parties cannot amend the text, this is unreasonable as we have no visibility of the scheme rules and hence the risks to which parties may be exposed. The scheme rules will be written to deliver the policy and minimise risk to the UK Government so other parties should have some ability to manage any risks they may face by amending the UNC.

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

The details of the scheme, how it works and the contractual obligations between BEIS and Xoserve are vague and therefore it is impossible to assess the impact and risks of the scheme.

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

EPG scheme administrator role not a CDSP activity

We think that the role of EPG Scheme Administrator would have been better fulfilled by REC Co as the Retail Energy Code is the code to which Suppliers are parties. We do recognise that the data required is settlement data and that this is held by Xoserve. If the payments were to be made to Shippers, then it would be appropriate for Xoserve to fulfil the role but as the payments are being made to Suppliers then REC Co is the appropriate body. We observe that the separation of the retail and wholesale roles in gas between, respectively Suppliers and Shippers, compared to the roles being combined in electricity complicates the arrangements in gas.

Relevant objectives

We do not see how relevant objective (d) *Securing of effective competition* is furthered because the effect of the scheme is to reduce prices to domestic consumers rather than promoting competition itself. We also do not see that relevant objective (e) *Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers* is furthered because the domestic supply security standards in WWU's licence (Standard Special Licence condition A11 1A) apply to the capability of the network to provide the gas demanded by domestic customers rather than the customers' ability to afford to pay for the gas.