

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:	Paul Bedford
Organisation:	Opus Energy Ltd
Date of Representation:	12/06/20
Support or oppose implementation?	Oppose
Relevant Objective:	<p>a) None</p> <p>b) None</p> <p>c) None</p> <p>d) Negative</p> <p>e) None</p> <p>f) None</p> <p>g) None</p>

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

We recognise the intent of this modification is to support gas market participants in these exceptional circumstances. However, we do not agree that the modification positively furthers relevant objective d) i) and ii) in securing effective competition. The explanation given to justify the 'positive' effect is that without this scheme some shippers/suppliers may leave the market reducing the number of competitive players. The presumption being that, without this modification, there would be insufficient shippers/suppliers remaining in the market to create sufficient competitive pressure. Such an outcome is highly unlikely given the current number of players in the market and the very few shippers who will be able to utilise this scheme (given the eligibility criteria) and who otherwise may go into administration without this intervention. On the contrary, allowing this scheme to only be accessible by a narrow set of shippers and thus giving them differential treatment and

access to financing is patently market distortive and thus anti-competitive.

Moreover, we are greatly concerned that the networks will be providing this financing scheme to some parties while taking no credit default risk themselves. It is in fact shippers/suppliers who bear the credit default risk as any resulting shortfall in funds will get socialised. If networks voluntarily enter into commercial lending arrangements with shippers (subject to any prevailing financial regulation), then it is those networks who should solely bear the credit risk, as opposed to third parties (i.e. other shippers/suppliers) who have no say in agreeing such lending arrangements.

If the proposals are approved and any Shipper is unable to make the required payments after the deferral period, then Gas Transporters will realise a funding shortfall that will be recovered from all remaining Shippers in 2021/22. It is therefore critical, in line with Ofgem's open letter of 02 June 2020, that comprehensive efforts are made to pursue any debts from defaulting parties through the liquidation process in order to minimise any shortfall.

It is also important that no charges are made for any additional administration costs incurred by Gas Transporters under the scheme. Any such administration is likely to be at zero (or negligible at most) marginal cost to the Transporters.

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

Although we don't support the proposal as currently drafted, we agree that implementation should be immediate following a Direction from the Authority, in order to be effective for the June 2020 Billing Period.

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

We will incur no direct costs as a consequence of this modification proposal, but if Shippers ultimately do not pay, then we will incur the socialised costs of any default/shortfall.

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

We have no additional comments at this time.

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 at this time.

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

No comments at this time.