

Representation - Modification UNC 0797 (Urgent) Last Resort Supply Payments Volumetric Charges

Responses invited by: 5pm on 04 January 2022

To: enquiries@gasgovernance.co.uk

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

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|---|--------------------------|
| Representative: | Sam Hughes |
| Organisation: | Citizens Advice |
| Date of Representation: | 4/1/22 |
| Support or oppose implementation? | Comments |
| Relevant Charging Methodology Objective: | a) Neutral c) Neutral |

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

Overall this modification would increase the costs to domestic consumers and decrease the costs to non-domestic consumers when recovering Last Resort Supply Payments compared to the baseline arrangements which are clarified in UNC0795S.

However, unlike in UNC0687 the charges are applied on a volumetric basis and not applied at a flat rate to domestic and non-domestic customers.

Evidence suggests that, generally, households in fuel poverty and with the lowest incomes are most likely to under-consume and least likely to over-consume energy.

This suggests that in theory volumetric charging approaches may deliver a fairer solution compared to flat rate charges as proposed in UNC0687V.

However, we are not convinced that introducing a method of allocating Last Resort Supply Payments at late notice is in the interests of consumers generally. Placing additional costs on domestic customers during a cost of living crisis should be avoided. As this is simply a cost recovery charge, and so not designed to send a behavioural signal, the economic rationale for allocating to domestic customers requires further consideration.

We are also concerned that no quantifiable evidence has been provided for the distributional impacts of applying volumetric charges based on peak day demand rather than any other demand metric which could be used to derive charges. A workgroup could have considered these options and in its absence there is a risk of unintended consequences in the recovery of approximately £900million.

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

We are concerned that the timeline of this modification presents a solution at late notice to industry, in particular, the impact it has on GDNs' need to calculate pricing models and publish prices on the 31st January. The timeline also prevents in depth workgroup consideration of the solution, alternative options and assessment of the distributional impacts.

Although this modification has been granted urgent status by Ofgem in order to provide for an expedited process, we would question why this modification could not have been proposed earlier than the 22nd December, which would have provided the proposer with more time to provide quantifiable evidence and parties with more time to consider the modification and its implications in detail.

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

Costs to consumers and businesses are unclear as the consumer impact assessment does not provide any quantifiable analysis of the distributional impacts of the modification's method of recovering circa £900million, including the implications of using peak day demand rather than a different methodology.

Further impact assessment is required.

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

We have not considered the legal text.

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.*

N/A

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

N/A