

Joint Office

enquiries@gasgovernance.co.uk

11 June 2020

Dear Sir or Madam,

Re: 0726U COVID-19 Liquidity Relief Scheme for Shippers

Thank you for the opportunity to provide representation on the above noted Urgent Modification Proposal. Please find below Northern Gas Network's (NGN) comments in respect of this change.

NGN supports this Urgent Modification Proposal.

Reason for support/opposition:

Please summarise (in one paragraph) the key reason(s)

We support this proposal as extended payment terms for Shippers requiring additional liquidity support as a direct result of COVID-19, without access to a wider corporate group financial support, should help to alleviate the financial pressures on them. It should also allow them, where relevant, to pass this relief on to the Suppliers they ship for, therefore alleviating some of the financial impacts to the gas supply chain that have occurred as a direct result of the government's response and restrictions in relation to COVID-19. The structured repayment schedule, for the extended terms to a proportion of LDZ Capacity invoices and some NTS invoices, should ensure that all monies are repaid within the current financial year.

The introduction of value caps to offer some protection to Transporters, along with the Shipper caps to maximise the distribution of the relief, aims to minimise single points of risk within the scheme. This in turn minimises risk to the wider market, whilst maximising relief where needed. All of which is consistent with Ofgem's open letter '*Managing the impact of COVID-19 on the energy market relaxing network charge payment terms*'¹ dated 2nd June 2020.

The support to Shippers and through them Suppliers who are experiencing liquidity constraints due to COVID-19 should help maintain the viability of Shippers and Suppliers in the market, thus furthering Relevant Objective d) *Securing of effective competition (i) between relevant shippers and (ii) between relevant suppliers*

Implementation:

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

This proposal could be implemented as soon as Ofgem approval is received. It is hoped that this would be in time for it to be available for June 2020 LDZ Capacity charges, which are

¹ <https://www.ofgem.gov.uk/publications-and-updates/managing-impact-covid-19-energy-market-relaxing-network-charge-payment-terms>

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invoiced at the start of July 2020. This would maximising the relief available, whilst ensuring the scheme is completed within the current financial year and RIIO period.

Impacts and Costs:

What analysis, development and ongoing costs would you face?

As stated in the modification, NGN will be offering extended payment terms for up to £12.5m of LDZ Capacity invoice value. This will have an impact on our cashflow, which we will manage accordingly.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the Solution?

We believe the legal text provided should deliver the Solution set out in the modification.

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.

None identified.

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

NGN has been supporting our wider supply chain throughout the COVID-19 period, including colleagues, contractors and the community we work with. It has been challenging to ensure we provide a balanced approach to all stakeholders and are pleased to be able to offer this scheme as part of that overall balanced package across all of our stakeholders.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,

Tracey Saunders (via email)
Market Services Manager (Industry Codes)
Mobile: 07580 215 743

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