

Representation - Modification UNC 0726

(Urgent) - COVID-19 Liquidity Relief Scheme for Shippers

Responses invited by: 5pm 12th June 2020

To: enquiries@gasgovernance.co.uk

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

Representative:	Hilary Chapman
Organisation:	Scotland Gas Networks and Southern Gas Networks
Date of Representation:	11 June 2020
Support or oppose implementation?	Support
Relevant Objective:	d) Positive

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

SGN supports this modification as it positively impacts relevant objective d) (i) (ii) *securing of effective competition between relevant shippers [and] suppliers*, by providing transparent and structured support to shippers experiencing temporary liquidity challenges as a result of COVID-19. The relief will be optimised to provide support to as many scheme participants as possible, and the expectation is that the financial support provided to shippers will be passed on to their relevant suppliers. This proposal aims to support those Shippers who may be unable to gain commercial loans or government support and are therefore unable to access alternative relief.

SGN acknowledges the impact of the COVID-19 pandemic upon gas industry participants, particularly in relation to the initial lockdown¹ arrangements and the ongoing social distancing measures as businesses re-open. At the same time, domestic customers may be experiencing financial challenges due to a period of potentially reduced household income.

SGN's key priorities in this period are to ensure that our customer needs are met, particularly those customers in vulnerable circumstances; to maintain secure, safe and reliable supplies; and ensure the safety of our customers and workforce. In ensuring that we deliver the first priority of meeting customer needs we have recognised that it has become important to support the alleviation of operational market challenges to safeguard our customers. While transporters have not been approached by any shippers seeking financial relief, we understand that equivalent requests have been made within the electricity market, and the recent series of urgent UNC modifications² indicates a general concern regarding Shippers' financial commitments (transportation charges) and similarly being able to support their customers.

This modification represents a coordinated approach between gas and electricity, the principles of which have been developed and agreed with Ofgem and are aligned with their recent open letter³. As such it is aligned with the wider government COVID-19 Response Strategy.

¹ For the purposes of this response, where we refer to 'lockdown' or 'COVID-19 period' we refer to the restrictions enacted through the Coronavirus Act 2020, Schedule 22 declaration issued in March 2020 and the restrictions placed upon businesses and population enacted through the Health Protection (Coronavirus, Restrictions) (England) Regulations 2020 and Health Protection (Coronavirus) (Restrictions) (Scotland) Regulations 2020, which both came into force on 26th March 2020. These regulations were subsequently updated 1st June 2020.

² Particularly 0721 *Shipper submitted AQ Corrections during COVID-19* and 0725 *Ability to Reflect the Correct Customer Network Use and System Offtake Quantity (SOQ) During COVID-19*

³ Managing the impact of COVID-19 on the energy market – introducing the option of relaxing network charge payment terms for suppliers and shippers
https://www.ofgem.gov.uk/system/files/docs/2020/06/open_letter_on_relaxing_network_charge_payment_terms_1.pdf

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

Given the intention for the modification to provide rapid relief from COVID-19 liquidity challenges, we welcome an Ofgem decision by 23rd June 2020, which is required in order to facilitate applications in respect of the June 2020 billing period.

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

As above, transporters have not been approached by any shippers seeking relief and therefore the likely take-up of the scheme is unknown. However, analysis has been undertaken which ensures that should the available relief be fully utilised, SGN's own liquidity and wider financial and associated regulatory obligations will not be placed at risk.

SGN will be required to manage the administration of the scheme between June 2020 to March 2021, although this will be undertaken by existing resource and therefore should not incur any additional costs. Shippers and Xoserve are likely to experience similar requirements.

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

Yes

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

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

None