

## Representation - Draft Modification Report UNC 0795S

### Arrangements for charging for revenue to pay valid Last Resort Supplier Payment claims

Responses invited by: **5pm on 11 January 2022**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

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

<b>Representative:</b>	George Moran
<b>Organisation:</b>	British Gas
<b>Date of Representation:</b>	11/01/2022
<b>Support or oppose implementation?</b>	Qualified Support
<b>Relevant Objective:</b>	c) None f) None
<b>Relevant Charging Methodology Objective:</b>	Not Applicable

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

If implemented from 1 April 2022 to apply to future SoLR claims, and if the legal text is improved to specify which distribution charges are affected by SoLR claims, then this modification may arguably provide a small amount of additional clarity.

Contrary to the assertions being made in the related modification (0687), there is currently no uncertainty surrounding the existing LRSP arrangements. Under these current arrangements, LRSP costs are included in the GDN allowed revenue through the miscellaneous pass-through term in the GDN licence and flow through to the target revenue described in the charging methodology. LDZ system charges and Customer charges are scaled in the methodology to recover the target revenue.

By introducing a link to valid claims received under Standard Special Condition A48, 0795S creates some uncertainty for 2022/23. The deadline for valid claims in Standard Special Condition A48 is currently 31<sup>st</sup> October. Therefore, to include the recent SoLR claims in 2022/23 charges, 0795S introduces a reliance on the current licence modification being progressed by Ofgem to change this deadline to 31<sup>st</sup> December. We believe the current methodology, by not referring to Standard Special Condition A48, is not dependent on that licence change and so allows the GDNs to recover the allowed revenue set by Ofgem inclusive of any SoLR claims, irrespective of whether they are technically valid or not. Therefore, any increase in clarity that this modification seeks to

provide would be best achieved if implementation was delayed to 1 April 2022 to apply to future SoLR claims from that date onwards.

**Self-Governance Statement:** *Please provide your views on the self-governance statement.*

Since the change introduces a link to valid claims received under Standard Special Condition A48, technically it would not permit recent SoLR claims to be included in 2022/23 charges without the licence change currently being consulted on by Ofgem. In our view, the existing methodology would allow such claims to be recovered provided that Ofgem included the associated revenue in the Miscellaneous Pass-Through allowed revenue term. For this reason, we consider:

- If implementation is delayed to 1 April 2022 to apply only to future SoLR claims i.e. 22/23 charges set based on the current methodology, then we agree with self-governance as the modification will not change arrangements for claims made before.
- If the Panel decision follows the Ofgem licence decision to extend the deadline for SoLR claims to be included in 2022/23 charges, then we agree with self-governance as the modification will not change the new 'current' arrangements.
- If Panel decision is before the Ofgem licence decision to extend the deadline for SoLR claims to be included in 2022/23 charges, then we do not agree with self-governance as the modification would technically disallow recent SoLR claims from being included in 2022/23 charges – whereas, in our view, the current methodology could still include them.

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

We recommend 1 April 2022 to apply to future SoLR claims from that date onwards.

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

None.

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

In 11.1, it would be clearer to specify that only LDZ system charges and customer charges are adjusted to allow for the recovery of the specified amounts.

**Modification Panel Members have requested that the following questions are addressed:**

*Q1: The proposer's view is that if 0687V is directed for implementation that this modification should not be implemented. Do you agree with this view?*

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.*

No.

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

No.