

## 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](mailto:enquiries@gasgovernance.co.uk)

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

<b>Representative:</b>	Natasha Hobday
<b>Organisation:</b>	Shell Energy Retail Limited ( <b>SERL</b> )
<b>Date of Representation:</b>	12 June 2020
<b>Support or oppose implementation?</b>	Oppose implementation; Comments
<b>Relevant Objective:</b>	d) Positive/Negative/None* <i>delete as appropriate</i>

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

SERL understands that extraordinary circumstances require innovative thinking and appreciate that transporters are prepared to consider what can be done to address the adverse impacts of such circumstances on their customers. SERL believes however that it is not appropriate to provide a differential scheme for liquidity relief for some shippers through this proposed mechanism. In contrast to an arrangement by which charges incurred by all participants would be deferred, the scheme as set out is intended to provide a form of alternative financing for those shippers unable to access specific forms of economy-wide financing available by bodies explicitly charged with providing that support. This does not facilitate competition in the supply of gas: facilitating competition is not maintaining the status quo ante pending the end of exogenous events or providing a form of differential finance by credit rating. Conveyance of gas risks being carried out on unduly preferential terms for those shippers who meet the eligibility criterion of the scheme. It is not clear that any objective justification is present to support this approach. SERL fears therefore that the scheme does not enable transporters to address themselves to the adverse impact of COVID-19 on their customers, which is the overarching aim of the scheme

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

N/A on the basis that we do not consider this scheme is appropriate (please see above)

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

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

SERL is concerned that the express aim of the proposed scheme - to provide short term financing for eligible shippers – is not contemplated by the duties of gas transporters, nor countenanced within the licence granted to them. A broad-based scheme for Users concerning deferral of charges is potentially possible but a scheme which inherently discriminates between Users for what amounts to a form of financing is outwith the duties and licence obligations of gas transporters. Taking this into account, SERL is not proposing to comment on the legal text provided on 9 June.

**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.*

SERL does not consider the proxy of not meeting specified credit rating requirements meets the requirements as set out in Ofgem's open letter, which is referenced by the modification. Eligibility does not appear to be tied to a shipper who has not obtained alternative funding (of whatever source) nor in principle do we consider that the CDSP is best placed to assess anything other than a yes/no criterion in any event.

SERL notes that the aim set out in discussions, for breathing space for affected participants, relates to suppliers rather than shippers, for whom of necessity the scheme is created. It is a fundamental flaw that such financing (reserving our position as to whether it is possible) relates to shippers. The modification rightly states that it cannot compel shippers as a condition of deferral to share the benefits with their supplier customers.

Full details of deferrals approved by the CDSP must be published through the Joint Office or otherwise, alongside such information as to payment delays over the deferral period that would enable other shippers (and their supplier customers) to manage the risk of default and price this into their tariffs. They have no other means of mitigating the risk that the approved shippers will default, leaving the bad debt to be smoothed across all other shippers.

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