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

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

Representative:	Danny Byrne
Organisation:	Utilita Energy
Date of Representation:	12/06/2020
Support or oppose implementation?	Support
Relevant Objective:	d) Positive

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

Given the requested derogation from an electricity supplier to the DCUSA panel from the obligation to pay DUoS charges by the required date, there is a possibility that gas suppliers could find themselves experiencing similar liquidity constraints. Easing those constraints by allowing deferred payment from shippers of those suppliers could help in preventing supplier failure, therefore resulting in mutualisation costs across industry. Should supplier failure occur despite the scheme, the interest paid by all shippers across the scheme could negate the level of mutualisation costs.

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

Utilita would not require significant lead time for this change.

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

Utilita would not expect substantial administrative costs once the change is implemented.

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

Utilita are happy with the legal text.

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.*

For the purposes of credit, Utilita believe deferred invoices should be treated as being paid from the date the Eligible Shipper makes its minimum payment to the GT, rather than the original (non-deferred) due date. Including the full value of the invoice within the VaR calculation for any period means shippers wishing to defer the cost must still finance the full value to post the incurred collateral requirement.

This can be paid as early as the invoice issue date, avoiding the collateral burden on Shippers who utilise this option and dispense their payment obligation. Those Shippers waiting until the due date would see no change. This is a more accurate reflection of when a shipper would have paid their invoice and would better support Shippers, per Ofgem's COVID-19 objectives.

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

In addition to the comments above, Utilita believe the interest rate at just over 8% is too high. The current interest rate is intended to be punitive and contradicts the purpose of the modification to help shippers of suppliers experiencing liquidity issues in these unprecedented circumstances. Interest should be charged at the finance cost incurred by the GT, providing a net-neutral cost to the GT but also reducing the burden on Shippers, better serving the intended objectives (d) i and (d) ii and Ofgem's stated goal of avoiding supplier failures and the subsequent disruption to customers.

It makes no sense for parties who are in difficulty, and who need to use this scheme as CBILS etc is not accessible, to be charged punitive interest rates, which will stress their finances further, and for those punitive payments to be used to help networks pay for bad debts. Networks have bad debt mechanisms already which can be used, and while painful, are equitable between suppliers. This approach expects those already in difficulty to fund a greater proportion of bad debt than those who are not in difficulty.

Staggering the deferred repayments across two dates creates inconsistency across repayment dates between months, which is of little benefit to shippers. Providing one consistent deferral period across all billing months is a simpler approach, using the maximum deferred repayment date in the August billing period (180 days). Using a consistent 180 day deferral period across all billing months would require scrapping the two-date repayment system to a single repayment date, but this would ease the financial burden on shippers and better achieve the purpose of the modification, to provide relief to suppliers/shippers with liquidity issues and avoid supplier failure.