



Independent Networks  
Association

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Dear Charlotte and Rich

**ENDURING MECHANISM FOR BAD DEBT RECOVERY FOLLOWING CNG'S EXIT FROM THE GAS MARKET AND AN ISSUE ON LAST RESORT SUPPLY PAYMENTS TO BE RECOVERED FROM GAS CONSUMERS**

I am writing to you on behalf of the Independent Networks Association (INA) whose members include Independent Gas Transporters (IGTs).

**Bad Debt Recovery Mechanism for IGTs**

You provided a comfort letter to IGTs through the INA dated 23 November 2021 in respect of the Memorandum of Understanding with Contract Natural Gas (CNG) and the ensuing bad debt which IGTs have incurred. In your letter you said you expected IGTs to propose a mechanism for recovery for Ofgem's consideration which should include 1. Ofgem audit/validation of the claim; and 2. IGT recovery of the debt as a fixed cost surcharge across our portfolio of connected customers, over an agreed period.

BUUK has developed a proposal for mechanism (attached) that was communicated to you on 22 December. As BUUK stated in their letter, they had not, at that point, achieved agreement across the INA's IGT members. I can now confirm that INA members have agreed that the BUUK proposal is robust, fair for consumers and achieves the goals set out by Ofgem and are happy to endorse the approach.

Given the timescales, it would be helpful to discuss this proposal in more detail and obtain your feedback so that members can then formally request consent from Ofgem. We are



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trying to rearrange our cancelled meeting from 17 December for this month where we could discuss this or we could arrange a wider meeting to go through the proposal in more detail.

### **Last Resort Supply Payment (LRSP) recovery through the GDN tariff**

You should also be aware that we have identified issues with the various urgent modifications have been raised in order to recover Last Resort Supply Payments. In particular whether these payments would be charged to IGTs and their customers, potentially providing an undue benefit, depending on how those costs are subsequently charged. Given the speed by which these changes are being progressed, we have raised this matter urgently with Andrew Ryan and I have copied him in on this letter.

Yours sincerely,

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**Executive Director**  
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