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## **Wales & West Utilities Limited (WWU) response to Ofgem consultation on changes to guidance on applying for a gas or electricity licence**

Dear Rebecca,

Thank you for the opportunity to respond to this consultation. WWU is a gas transporter serving 2.5 million supply points in Wales and south-west England and we therefore have commercial relationships with gas Shippers through the Uniform Network Code.

### **Financial Risk Controls**

We acknowledge that the intent of these changes is to reduce potential harm to energy consumers by strengthening the requirements around financial risk management. We believe that extending these requirements to Shipper licence applicants would provide the same protection to gas consumers as is currently provided to electricity consumers. In electricity, Supplier functions cover both retail and wholesale functions but in gas wholesale functions are provided by a Shipper, who might be a different legal entity to the Supplier; therefore, the proposed changes to the application guidance should apply equally to Shippers and Suppliers to protect all energy consumers.

The failure of Contract Natural Gas Limited in 2021 illustrates the consequences of a Shipper failing and the consequential indirect risks to energy consumers. The result of this failure was that some gas Suppliers no longer had a Shipper and were at risk of much higher energy balancing costs as well as having to fulfil various Shipper obligations to transporters. This in turn meant the Suppliers had a higher risk of failing.

Given the risk of harm to energy consumers from the failure of the a gas Shipper, Shipper applicants should be subject to the financial risk controls applied to gas Suppliers to support the objective of boosting financial resilience in the energy market overall.

Yours sincerely,



Carly Evans  
Head of Regulation  
Wales & West Utilities

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