



Mick Watson
Ofgem
London

4 September 2020

Dear Mick,

Re: Managing Network Charge Bad Debt

Thank you for the opportunity to provide a response to this consultation. Northern Gas Networks (NGN) took a lead role in discussions with Ofgem to develop the UNC Modification to implement the deferral of network charges for gas shippers meeting defined criteria in response to the COVID-19 pandemic.

NGN believe that the scheme met all of the Ofgem and industry requirements while ensuring that risk of bad debt is minimised. During all discussions the Gas Transporters set out an expectation that any bad debt incurred as a result of this scheme would be passed through in our network charges in the shortest timescale to ensure no adverse financing impacts were passed on to the Gas Transporters. We believe that the use of the Miscellaneous Pass-Through term, MP_t, is the quickest and most efficient way to pass through any bad debt incurred under the current governance arrangements and we believe this remains the most appropriate option of any bad debt incurred at the point of price setting for the regulatory year 2021/22.

We support improvements to our Licence to add a new enduring Bad Debt condition for clarity of how bad debt may be managed in future. We will support development of this Licence condition through the RIIO-2 Licence working groups and expect this will be introduced into our Licence from April 2021.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,

By email

Joanna Ferguson
Head of Market Services & Regulatory Compliance

