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3rd December 2019

WWU response to Ofgem consultation Supplier Licensing Review: ongoing requirements and exit

Dear Vlada,

Thank you for the opportunity to respond to the consultation. Wales & West Utilities is a gas transporter serving 2.5 million supply points in Wales and south west England. We provide services to 47 Shippers that have acceded to our network code and 128 Suppliers that supply customers through those Shippers. In addition, we provide Post Emergency Metering Services to approximately 60 Suppliers.

Although this consultation relates to Suppliers we believe that there is merit in Ofgem considering whether some, or all, of the measures should apply to Shippers. Unlike electricity where Suppliers are responsible for both retail and wholesale activities, in gas Suppliers are responsible for retail activities but Shippers are responsible for wholesale activities. Shippers do not have a direct relationship with customers; however, were a Shipper to cease trading there would be impacts on the Suppliers contracted to it and hence indirect impacts on customers.

Since the start of 2018 16 Suppliers have ceased trading. In one case this also resulted in the associated Shipper ceasing trading. The impacts of this are still being seen by transporters one year after the event as some of the failed Shipper's portfolio has still not been transferred from the failed Shipper to the new Shipper. This results in the Supplier having to be issued with manual invoices for the monthly transportation charges that are due from the failed Shipper.

We are broadly supportive of the proposals in the consultation and provide comments on two of the questions below and two comments relating to section 5 - Other improvements to exit arrangements.

Question 5: Do you agree with our proposed option to cost mutualisation protections? Are there other methods of implementing this proposed option? Please provide an explanation, and if possible any evidence, to support your proposal.

There are already credit arrangements for network and energy settlement charges for Suppliers in electricity and Shippers in gas and rather than develop new processes there is merit in using

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these arrangements for the protecting credit balances and scheme costs. Apart from not having new arrangements to manage, this results in UK government, other industry parties and networks having the same amount of protection in the event of a Supplier failure. This seems fair to all parties.

Question 6: Do you agree with our proposal to introduce new milestone assessments for suppliers? Do you think the milestones we have proposed and the factors we intend to assess are the right ones? Are there additional factors we should consider to help us to identify where suppliers' may be in financial difficulty?

We support proposals to ensure that Suppliers have the operational capability to service their customers. Where an SoLR event occurs, it is important that the new Supplier has the resources to take on the new customers. In gas we also think that this should extend to the Shipper that ships for the Supplier.

Section 5: Other improvements to exit arrangements

We note the comments on the option of allowing portfolio splitting as part of an SoLR event and the view that this would likely require multiple code and system changes. We would not support this as it is likely to impose significant costs on parties for system changes. It is also likely to impact on the faster switching programme increasing the risk to this high-profile project.

With regard to the option for Ofgem to having to approve a trade sale of a Supplier's portfolio of customers, we note that Ofgem has to approve sale of part of a transporter's transportation assets. The new power discussed could in some ways be seen as analogous to Ofgem's current power in relation to transporter's assets.

Yours sincerely,



Steve Edwards
Director of Regulation
Wales & West Utilities

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