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4th September 2020

Dear Mick,

WWU response to Ofgem letter managing network charge bad debt

Thank you for the opportunity to respond to the letter, our responses to the questions are below.

Question 1: Do you agree that our proposals would allow the recovery of bad debts by network licensees, related to the Network Charge Deferral scheme (COVID-19) (“NCDS”) in 2021/22

Yes, we agree that the scheme as outlined would allow this. Recovery of all bad debt from shippers who fail to pay their liabilities and have accessed the NCDS in the 2021/22 regulatory year reflects the agreement entered into by the GDNs with Ofgem when the scheme was established.

The proposed arrangement for network licensees to provide an estimate of the bad debt that is then trued up is crucial for the timely recovery of bad debt. If licensees had to wait for the conclusion of any liquidation process (which is extremely unlikely to result in any funds being received) then there is likely to be a delay of at least a year before licensees would recover the bad debt.

We will need to review the final algebra but based on what we have seen and assuming our comments are taken into account the design delivers the objective.

Question 2: do you agree with the introduction of a pass-through term on the RIIO-2 licence as an enduring solution for the recovery of bad debt?

We agree that an enduring provision for the recovery of bad debt should be introduced as part of the RIIO-2 licence changes.

We would like to see the licence change for recovery of any bad debt from a shipper that accessed the Network Charge Deferral scheme introduced immediately as this is what was agreed with Ofgem when the scheme was being designed.

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Should the start date of RIIO-2 be postponed (an issue that Ofgem is actively considering as demonstrated by the letter “Ofgem Contingency Plans for RIIO-GD2”) then licensees would be exposed to any debt associated with the Network Charge Deferral scheme until the RIIO-2 licence conditions came into effect.

Yours sincerely,

Sarah Williams.

Sarah Williams
Director of Regulation

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