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Consultation on reflecting change to gas SoLR levy costs in the Default Tariff Cap

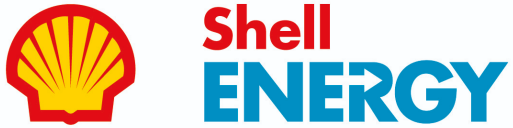
Dear Leonardo

Shell Energy welcomes the opportunity to respond to the above consultation dated 15 December 2021 regarding proposals to SoLR levy costs in the Default Tariff Cap.

Clear and effective governance of the UNC is key for industry parties assessing material changes and determining financial impacts. Generally, the uncertainty of outdated legacy modifications along with newly requested urgent modifications has bigger implications for more prudent parties. It was disappointing that Ofgem did not make a decision on UNC 0687 (Creation of new charge to recover Last Resort Supply Payments) prior to the UNC Panel request of December 2021 to update legal text. Ofgem received the original Final Modification Report in October 2019 well before any concerns with increases of wholesale gas prices. The energy crisis has highlighted the need for the energy sector to pull together to help all consumers.

Any decision to implement either UNC 0687V or UNC 0797 (Last Resort Supply Payments Volumetric Charges) has pros and cons for different market sectors. Our commercial customers would welcome the implementation of either of the above modifications as it would ensure any market failures would see costs redistributed predominantly within the domestic market sector (the sector in which these costs originated). However, both proposals also represent a significant revaluing upwards of LRSP costs borne by domestic gas suppliers and their customers from April 2022.

UNC 0797 has not been considered within the consultation as the urgent modification was proposed after the release of this consultation. We remain unsure whether any subsequent decision to implement this modification will have an impact on the calculation of the Default Tariff Cap for cap period eight from 1 April 2022. Shell Energy finds UNC 0797 preferable as it will apportion SoLR levy costs volumetrically however we think that this modification would



need to ensure it is calculated within cap period eight. We understand there are many moving parts and variables relating to the determination of the new Default Tariff Cap

We have also been considering the batch of proposals relating to building energy market resilience which we have responded to separately however if you require any further information please do not hesitate to contact me.

Yours sincerely

[not signed]

Carl Whitehouse
Senior Policy and Regulation Manager