

Simon Wilde
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Dear Simon

**STATUTORY CONSULTATION ON MODIFICATIONS REGARDING LAST RESORT
SUPPLY PAYMENT CLAIMS FOR ELECTRICITY SUPPLY, GAS SUPPLY,
ELECTRICITY DISTRIBUTION AND GAS TRANSPORTATION LICENCE
CONDITIONS**

Thank you for the opportunity to comment on the modifications Ofgem is proposing to licence conditions that underpin the process for Last Resort Supply Payment (LRSP) claims. This response is on behalf of ScottishPower Energy Retail Limited which holds gas and electricity supply licences.

Ofgem is proposing the changes with the aim of enabling third party financing as an alternative to the current LRSP process. Ofgem considers that while third party financing comes with a higher absolute cost to consumers through interest and other fees payable to the third party financier, there could be value for consumers as it would allow the costs to be recovered over a longer period of time.

The changes being proposed by Ofgem therefore do not change the current process; however, they ensure that if an alternative is deemed to be appropriate and deliver value to consumers and the market in general, then the licence conditions will facilitate that alternative option.

Ofgem notes in the consultation the work that has been ongoing with recently appointed Suppliers of Last Resort (SoLRs) and potential third party financiers, and sets out in the consultation document how it envisages a scheme with third party financing could work. We have been engaged in this process with Ofgem via bilateral and industry meetings and have shared views on this particular scheme via those meetings. We therefore do not propose to replicate those comments within this response which relates more broadly to facilitating a potential scheme rather than the scheme that Ofgem is currently assessing.

In relation to the proposals set out within this statutory consultation, we would make the following comments:

- We think the proposed amendments to the gas and electricity supply licence conditions meet Ofgem's aim of enabling an alternative approach to be used for LRSP recovery while retaining the existing process as the "normal" process and requiring Ofgem to consent to any alternative approach.
- In assessing whether to consent to any request for the use of third party financing for a valid LRSP claim, it is important that Ofgem considers in full the impact on consumers over the short and long term. As Ofgem recognises, any such scheme will incur additional costs compared to the "normal" process through interest and fees payable to the third party, and Ofgem must balance those increased future costs against short term benefits in making its decision.
- We have noted a couple of typographical errors in Ofgem's draft supply licence conditions, which we have highlighted below in relation to the electricity supply licence, but note that similar points are within the gas supply licence. We have limited our review to the supply licence conditions which are relevant to ScottishPower Energy Retail as a supply licence holder.

Reference	Comment
9.6C	We believe this should read "9.7C"
9.6C	We think the reference to "9.6A" within the first sentence should read "9.7B".

We also note that for further written publications, it would be helpful for Ofgem to ensure that all of the proposed changes are marked up to ensure it is clear to the reader. Within the current draft licence conditions there are some additional proposed additions which Ofgem has not marked up as a change by underlining in the text.

Please do not hesitate to contact me if you have any questions arising from this response.

Yours sincerely,



Richard Sweet
Head of Regulatory Policy