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By email to: [RegFinance@ofgem.gov.uk](mailto:RegFinance@ofgem.gov.uk)

Dear Simon,

**Statutory consultation on modifications regarding Last Resort Supply Payment Claims for electricity supply, gas supply, electricity distribution and gas transportation licence conditions**

Centrica welcomes the opportunity to respond to the above consultation. This is a non-confidential response on behalf of the Centrica Group.

We have reviewed the proposed changes to the licences as specified above, which aim to enable an option for the recovery of LRSPs via third-party financing of SoLR levies. This response comments to the efficacy of the proposed licence modifications in enabling the concept of third-party financing outlined by Ofgem and does not provide views on the merits of the proposal.

Our detailed feedback is provided in the Annex below. We would like to highlight concerns that the proposed amendment to Section 9.6 (b) of the supply licences appears to go beyond the intent of the changes by allowing application to standard SoLR claims processes, including those that have already been consented, as well as those conducted using the option of third-party involvement. Any changes to the timelines for standard SoLR claims should be at the request or with the consent of the SoLR licensee.

Yours sincerely,

George Moran  
Senior Regulatory Manager,  
Industry Transformation, Governance & Forecasting  
**Centrica Regulatory Affairs & Policy**

## Annex: detailed comments

### Electricity & Gas Supply Licences

Section	Ofgem original text	Centrica comment
Definitions		<ul style="list-style-type: none"> <li>We note not all changes are marked up as stated.</li> </ul>
9.6 (b)	<u>(b) the period over which the relevant amount should be paid should be longer than a single financial year in order to mitigate the impact on consumers.</u>	<ul style="list-style-type: none"> <li>As written, this could be applied to standard SoLR claims as well as those assigned to a LRSP Permitted Assignee. This seems to go beyond the intent of the changes. Any changes to the arrangements for the timescales associated with a standard SoLR claim must be either at the request of the (SoLR) licensee or with the consent of the (SoLR) licensee.</li> </ul>
9.7A	<u>The licensee may assign all or any of its rights in relation to a valid claim and/or the relevant amount provided that the licensee has obtained the Authority's prior written consent to the proposed assignment and identity of the person to whom the assignment is made.</u>	<ul style="list-style-type: none"> <li>We believe this goes beyond the policy intent. Assignment refers only to the LRSP Permitted Assignee as defined. This should be made clear in the drafting.</li> </ul>
9.7B	<u>and/or the intentions in regard thereto of the person proposing to acquire such rights.</u>	<ul style="list-style-type: none"> <li>This information may not be made available to the Supplier, or the third party's intentions may subsequently change and so this should be subject to a reasonable endeavours standard of obligation.</li> <li>It is not clear what information is required by Ofgem.</li> </ul>
9.6C [9.7C]	9.6C	<ul style="list-style-type: none"> <li>Should be renumbered 9.7C and refer to 9.7B.</li> </ul>
9.6C [9.7C]	<u>[...] to exclude the licensee's interest on working capital</u>	<ul style="list-style-type: none"> <li>Should include "to the extent appropriate" - since there could be interest on working capital up to the point where the claim was paid by the third party. Also, the licence changes being proposed facilitate the assigning of "all or any" of the rights - so if it wasn't "all" then potentially some working capital interest costs would remain.</li> </ul>
9.6C [9.7C (b)]	<u>(b) the licensee procures from the proposed assignee or acquirer an undertaking on terms acceptable to the Authority relating to the calculation of such interest and other adjustments over the repayment term of the relevant amount, the sharing of any re-financing gains and the provision of information and other matters relating to conditions of the Authority's approval.</u>	<ul style="list-style-type: none"> <li>The obligation is on Suppliers to procure the acceptable terms for the undertakings. Once Ofgem has accepted these terms as acceptable, has the supplier fulfilled its obligation? Who is liable if the third party does not subsequently agree to Ofgem's interpretation of, or decisions regarding, these undertakings (e.g. disagreements on gain share adjustments etc.).</li> </ul>

### Electricity Distribution Licence

Section	Ofgem original text	Centrica comment
Definitions		<ul style="list-style-type: none"> <li>We note not all changes are marked up as stated.</li> </ul>
38.9A [38B.9A]	38.9A	<ul style="list-style-type: none"> <li>Should be renumbered 38B.9A.</li> </ul>

### Gas Transporter Licence (Standard Special Condition A48 (SSC) and Standard Licence Condition 48 (SLC))

Section	Ofgem original text	Centrica comment
Definitions		<ul style="list-style-type: none"> <li>We note not all changes are marked up as stated.</li> </ul>
SSC 7A	Where the valid claim is to be subject to annual adjustment in accordance with paragraph 3A, the licensee shall notify the Authority of any difference between the specified amount for that year and the amount of the consequential increase made in	<ul style="list-style-type: none"> <li>Definition of "sufficient time" is required.</li> </ul>

	respect of the same year in sufficient time for the Authority to take that difference into account in directing the specified amount to be paid by the licensee the following year [...]	
SLC 3A	<u>no later than 60 days prior to the start of the year in which the licensee will make a consequential increase in its charges.</u>	<ul style="list-style-type: none"> <li>Should be 31 December for consistency with Standard Special Condition A48: no later than <del>60 days prior to the start of</del> <u>31 December in the year prior to the start of the year</u> in which the licensee will make a consequential increase in its charges.</li> </ul>
SLC 7A	Where the valid claim is to be subject to annual adjustment in accordance with paragraph 3A, the licensee shall notify the Authority of any difference between the specified amount for that year and the amount of the consequential increase made in respect of the same year in sufficient time for the Authority to take that difference into account in directing the specified amount to be paid by the licensee the following year [...]	<ul style="list-style-type: none"> <li>Definition of "sufficient time" is required.</li> </ul>
SLC 15(a)	i) where the claim was received by the licensee at least 60 days before the beginning of a year, that year; or (ii) where the claim was received by the licensee less than 60 days before the beginning of a year, the next year.	<ul style="list-style-type: none"> <li>Should be 31 December for consistency with Standard Special Condition A48: (i) where the claim was received by the licensee <del>at least 60 days by the 31<sup>st</sup> December</del> before the beginning of a year, that year; or (ii) where the claim was received by the licensee <del>less than 60 days after the 31<sup>st</sup> December</del> before the beginning of a year, the next year;</li> </ul>