

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

27th January 2022

Context

Sembcorp Energy UK (SEUK), a wholly owned subsidiary of Sembcorp Industries, is a leading provider of sustainable solutions supporting the UK's transition to Net Zero. With an energy generation and battery storage portfolio of nearly 1GW in operation, our expertise helps major energy users and suppliers improve their efficiency, profitability, and sustainability, while supporting the growth of renewables and strengthening the UK's electricity system.

Our Wilton International site on Teesside sits within a hub of decarbonisation innovation. At the site, we provide energy-intensive industrial businesses with combined heat and power (CHP) via our private wire network that supplies electricity generated by gas and biomass. These services are complemented by our fleet of fast-acting, decentralised power stations and battery storage sites situated throughout England and Wales. Monitored and controlled from our central operations facility in Solihull, these flexible assets deliver electricity to the national grid, helping to balance the UK energy system and ensure reliable power for homes and businesses.

SEUK Response

SEUK are pleased to respond to the Ofgem consultation regarding Last Resort Supply Payment Claims dated 30th December 2021. Our response is not confidential.

SEUK are in support of the proposed Licence Condition modifications that facilitate the introduction of third-party financing of Supplier of Last Resort (SoLR) claims. We believe that these arrangements are required to mitigate the wide-ranging impacts to the industry where suppliers are forced to declare themselves insolvent. We applaud Ofgem's prompt action in this regard, the proposed minimum changes to Licence Conditions that are required to initiate such a process and the case-by-case approach to dealing with these events.

The introduction of such financing opportunities and the creation of multi-year payment profiles, whilst potentially increasing SoLR payments overall, will undoubtedly have an overall benefit of protecting both consumers and industry parties from increased network charging volatilities. This approach will allow us the ability to better forecast our cost liabilities and so prepare both ourselves and our customers for the charging increases to come. The industry and consumers have been under increasing pressure from high prices and network charging volatilities even before SoLR costs needed to be accounted for. This inevitably creates investment uncertainties at a time when the industry is focussing on development requirements to meet the challenging 2050 Net Zero targets at the lowest costs possible. As such, SEUK will continue to support the development of systems and



processes designed to protect consumers from significant and sudden price increases and ensure fair recovery of industry costs.

Please let me know should you require any further information or clarification on any aspect. Thank You.

Regards,

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