

Sent via email to:
RegFinance@ofgem.gov.uk

Monkton Park Offices,
Monkton Park, Chippenham,
SN15 1GH

 goodenergy.co.uk

 hello@goodenergy.co.uk

 0800 254 0000

19/01/2022

Dear Finance team,

Re: Statutory Consultation on Third Party Finance (modifications regarding Last Resort Supply Payment Claims for electricity supply, gas supply, electricity distribution and gas transportation licence conditions)

Thank you for your work on developing these proposals and publishing the statutory consultation in swift time.

We would like to offer Good Energy's support for the proposal of smoothing the SoLR levies via third party financing. In November last year, we raised concerns around how the speeding up of Last Resort Supply Payments (LRSP) could have a significant impact on consumers and the wider market. We are pleased that consideration has now been granted towards alternative arrangements so this consumer detriment can be avoided.

The previous proposals, which included settling LRSP claims in a 12-month period, would have seen a significant increase in consumer bills – roughly £94 per dual fuel household.¹ At a time when the wider living costs are already high and increasing, we believe a sensible intervention here would be to look for alternative proposals, such as third-party financing, to avoid the most vulnerable households shouldering these costs in a 12-month period.

Whilst we appreciate the detail will be forthcoming on this particular proposal due to the speed at which the change needs to be implemented, it would be beneficial if this could be published as soon as possible to give suppliers certainty. A non-exhaustive list of key details we would like to see includes details on the start of the recovery period, timing of payments and proposed interest rates.

To make clear our position, we believe **that cost recovery for claims made under the expedited procedure should begin from 2023 at the earliest**. To support consumers, we believe the cost recovery should be spread out across a number of years – **possibly three to four years**.

Third party loans are one component of this revised solution but the timing, and in our view, the delay to 2023 is essential if suppliers are able to pass these costs on fairly. If the changes were approved for April 2022, the burden would fall heaviest on those customers either entering into new fixed deals, or on the price cap tariff, as suppliers would not be able to recover the costs from customers who entered fixed tariffs prior to the notification of these increased charges.

¹<https://www.citizensadvice.org.uk/about-us/about-us1/media/press-releases/catalogue-of-errors-at-ofgem-leaves-consumers-with-multi-billion-pound-bill/>



If third party financing can help smooth the costs of failed suppliers then this will reduce the urgent need to recover costs from April 2022. We believe this is a much more pragmatic solution and one that presents a fairer and more manageable outcome for consumers.

If you have further questions or comments following our response, please feel free to contact me at simon.shaw@goodenergy.co.uk

Kind regards,

Simon Shaw
Regulatory Affairs Officer