

Simon Wilde
Ofgem,
9 Millbank,
London
SW1P 3GE

No 1 Forbury Place
43 Forbury Road
Reading
RG1 3JH

27 January 2022

Dear Simon

Response to “Statutory consultation on modifications regarding Last Resort Supply Payment Claims”

The scale of Supplier failures seen since September 2021 is unprecedented. This situation has risked directly affecting individual consumers, and continues to have the potential to affect all consumers if the impacts of these failures were to be transferred across the broader energy industry.

Through the Supplier of Last Resort (SoLR) process, SSEN has been able to support affected consumers by enabling their efficient transfer to a newly appointed supplier and, thereby, ensuring their credit balances are protected. Under the SoLR process SSEN, and all licenced network operators, are required to recover SoLR costs through a levy on use of system charges in 2022-23 and beyond. The values that have been directed for recovery are significant and are likely to coincide with other increases to the cost of energy.

We support Ofgem’s efforts to manage cost increases and have been actively engaged in their ongoing development since before December. We also recognise that Ofgem’s discussions with the third-party financier are still ongoing.

Whilst we recognise the need for the third-party financing solution at this time and acknowledge that the proposed changes to the Distribution Licence, if implemented, will be enduring. We would caution against an assumption that such a solution would always be the economic and efficient solution. Therefore, we would ask that any process to finance future LRSP claims should be considered very carefully and involve further consultation. Indeed, the current crisis highlights the need for BEIS and Ofgem to review and reform the market structure for domestic supply and handling and propensity of supplier failure should be part of that review.

In deciding final arrangements, both short and long term, we would highlight the following principles to Ofgem:

1. Arrangements must be transparent for consumers and all parties alike
2. The scheme must be efficient overall and treat all consumers fairly

3. To avoid contagion to other parts of the energy system, arrangements must not transfer risk or liabilities from one party to the next
4. Speed of response should be balanced against risks of unintended consequences or error due to haste; and
5. To reaffirm that, for material LRSP claims, networks tariffs will always be adjusted to match the total of valid claims payable in that year, with associated directions and derogations instigated as necessary

Our specific, technical feedback on the consultation has been included in the collective response by the Energy Networks Association (ENA).

I am copying this to – regfinance@ofgem.gov.uk

Yours faithfully



Patrick Erwin
Regulation Director SSEN Distribution