



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

Comments on amendments to gas and electricity supply licences

- 1) Addition of text in SLC 9.6: *“(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.”*
 - Whilst we recognise the intent of this change, to allow the relevant amount to be paid over a longer period as part of a financing deal, this amended text is far too broad.
 - When a supplier acts as SoLR the timing of repayment of its costs is likely to be a critical part of its decision making.
 - It is not appropriate for Ofgem to have broad power to extend the time over which a SoLR is paid without explicitly agreeing this as part of the SoLR appointment process.
 - A supplier may volunteer and be appointed as SoLR on the assumption of a payment profile (as set out in existing regulations), this amendment means no supplier can have any certainty over the timing of payments which is likely to mean fewer volunteers to act as SoLR.
 - The use of this power should be explicitly linked to any financing deal only and require a SoLR's explicit agreement before amending any timing (i.e. only enacted if Ofgem and the SoLR agree).
 - The condition “to mitigate the impact on consumers” is subjective; again, this gives too broad a power to amend the timing of levy claims.
- 2) New SLC 9.6C in gas and electricity supply licenses
 - We assume this should read “9.7C”

Elements not captured by the proposed amendments

Consumer gain sharing mechanism

- Our understanding is that a gain sharing mechanism should be part of any future financing arrangement so that, in the event of any refinancing which results in a lower interest rate, consumers benefit
- We cannot see any reference to this in the proposed licence modifications, Ofgem must ensure a gain sharing mechanism can be applied under the licence conditions and make licence modification where necessary to allow for this.

Guidance

- Any changes as a result of these comments (or other changes made following the statutory consultation) must be reflected in updated guidance documents.

E.ON
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