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Dear Andrew

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

Thank you for the opportunity to respond to this consultation. This response represents the views of SSE Energy Solutions (SSE Energy Supply Limited).

We agree that it is important for Ofgem to consider the steps it can take to protect the short and long-term interests of consumers impacted by the expected increase in the Retail Price Cap. We also recognise the need for Ofgem to rapidly explore a number of these options ahead of its decision on the next level of the Retail Price Cap in February 2022.

Whilst we agree, subject to the final design of any third-party financing solution, that there may be benefit to consumers from smoothing the impact of the current extraordinary SoLR levy payments on bills, we are concerned at the potential unintended consequence of this solution being designed to facilitate greater competition in the SOLR process by “enabling greater working capital availability”. Our response is limited to sharing views on this point.

As Ofgem is aware, ‘free’ sources of working capital have often been used by some suppliers to facilitate business models and strategies that have been exposed by recent market conditions. We agree with Ofgem’s view that “a supplier may choose to risk their own or their investor’s money to adopt such a strategy, but we do not think they should risk their customers’ money to do so”.¹

We recognise that there is further work to design the solution and we consider that this needs to consider the extent of any default risk arising from a supplier failure occurring following receipt of a SOLR payment under this solution. For example, in the event of Supplier A failing, we understand that Supplier B (the gaining supplier) would submit a claim for expedited payment under this proposed solution. In the event that Supplier B failed shortly thereafter, it is not clear whether this would impose additional costs upon consumers over and above those incurred under current arrangements.

¹ [Ofgem Supplier Licensing Review: reducing credit balance mutualisation consultation, page 5.](#)

Ofgem, in conjunction with the industry, has been working collaboratively to address the risk of consumer and market harm caused by domestic suppliers taking advantage of the 'free cashflow' offered by the Renewables Obligation Scheme and domestic credit balances. We consider that addressing this risk, in conjunction with Ofgem's work on the domestic-specific challenges (e.g., review of the price cap, LRSP third-party financing etc) remains Ofgem's highest priority to build energy market resilience.

We would be more than happy to discuss this further.

Yours sincerely,

Sam Bird

Head of Regulation – Business Energy GB