

Ofgem  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

Email: [RegFinance@ofgem.gov.uk](mailto:RegFinance@ofgem.gov.uk)

27 January 2022

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

EDF is the UK's largest producer of low carbon electricity. EDF operates low carbon nuclear power stations and is building the first of a new generation of nuclear plants. EDF also has a large and growing portfolio of renewable generation, including onshore, offshore wind and solar generation, and energy storage. We have around six million electricity and gas customer accounts, including residential and business users. EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

We are pleased to have the opportunity to provide comments on Ofgem's developing thinking regarding third party financing for SoLR levy claims. Deferring the cost of supplier failures being passed through to customer bills is one part of a package of measures that need to be progressed to mitigate the financial pressures that consumers face in this unprecedented period. We are fully engaged with Ofgem and other industry participants in bringing this initiative forward so that it can be implemented before April 2022 and reduce the short-term impacts of the £1.8bn cost burden for customers that will result from the levy claims recently consented by Ofgem.

Therefore, EDF fully supports Ofgem's proposed licence modifications that would provide a supplier with a non-compulsory option to assign all or any of its rights to a valid claim, providing that Ofgem has given prior consent. These proposals will reduce the financial burden for customers in the short-term while also enabling a more competitive SoLR process in the future as potential SoLRs will have additional options available to them in order to recover their working capital following a consented levy claim.

We hope that over time this mechanism will encourage further potential finance providers to participate, which will ensure that competition delivers the lowest possible financing cost, and thereby minimise costs to customers.

Longer-Term Process

EDF has no comments on the high-level process as set out in this consultation, recognising that the proposals have been developed and refined at speed given the objective of implementation in time to reduce bill impacts from April 2022.

However, Ofgem will need to continue to work on the wider levy claim arrangements so that any third-party financing arrangements can continue to be successful in the long-term. For instance, some form of faster claims process for SoLRs should be available all year around, and a potential SoLR should be confident that it will be permitted to make multiple claims if appropriate. This will reduce the duration that a SoLR is required to absorb the working capital and will lower the cost impact to customers and increase competitiveness of the SoLR process.

Further, there needs to be a more specific definition of what a 'reasonable notice' period would be for a supplier to provide Ofgem with an intention to use third-party finance. The SoLR process is usually completed within a few days, which may not be long enough for a supplier to agree a contract with a third party. This may therefore impact the competitiveness of a SoLR bid if a supplier does not have working capital readily available to volunteer as a SoLR without the confidence they will be able to promptly recover their costs through assigning their anticipated levy claim to a third party finance provider.

As part of our consideration of these proposals, we have consulted with external legal advisors and have attached a separate document that provides specific comments to the licence modifications.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Jon Cole or myself. I confirm that this letter may be published on Ofgem's website.

Yours sincerely

A handwritten signature in blue ink that reads 'R. Beresford'.

Rebecca Beresford  
**Head of Customers Policy and Regulation**