



Making a positive difference
for energy consumers

The Company Secretary
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Company Number 09263424

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Approval of Last Resort Supply Payment assignment to a third party

Background – Avro Energy LRSP consent

On 17 December 2021 we gave consent, pursuant to Standard Licence Condition 9 'Claims for Last Resort Supply Payment', for Octopus Energy Limited (the Licensee) to claim for a Last Resort Supply Payment (LRSP) arising from the direction dated 16 September 2021 to supply electricity as a Supplier of Last Resort (SoLR) to the customers of Avro Energy Limited, company number 09174794.¹

Decision on LRSP third party assignment

On 11 March 2022 we published our decision on the licence changes to facilitate third party assignment of LRSP claims². Any assignment would require our consent, as per Standard Condition 38B of the electricity distribution licence, Standard Condition A48.14 of the gas distribution licence, and Standard Condition 9.7A of the supply licence. We decided that any decision to approve an assignment should take into account, amongst other things, our statutory duties including our principal objective to protect the interests of consumers. As discussed in our previous consultation and decision document, we believe that an assignment could enable greater ongoing competition in future SoLR processes by enabling greater working capital availability.

¹ [Faster SoLR levy process: consents to Last Resort Supply Payments | Ofgem](#)

² [Decision on Third Party Finance | Ofgem](#)

Approval of third-party assignment of Avro Energy LRSP claim

In late March 2022, we were approached by the Licensee to consider approving the third party assignment that they were actively progressing with a third party financier. The Licensee has shared with us all the relevant documents relating to the assignment. Taking into account our statutory duties, including our principal objective to protect the interests of consumers, we have decided to approve the assignment of the Avro Energy LRSP claim to a third party, LRSP Borrower SPV Limited (such an approved third party being an "LRSP Permitted Assignee").

There are two conditions precedent to this transaction that relate to Ofgem: a) our consent and b) the expiry of the window for appeal to the CMA of the licence modifications which we made on 11 March 2022. We understand that there has not been any such appeal and provide this consent on that basis.

A condition of this approval is that LRSP Borrower SPV Limited and the Licensee fulfil their obligations as set out in the Purchase Agreement and associated documents to our reasonable satisfaction.

We believe that this particular assignment would enable greater ongoing competition, at a time of wholesale market volatility and unprecedented requirements for retailers to access new capital. We have reviewed the transaction and we see nothing in the assignment that would cause suppliers or other parties material prejudice in the future. The assignment does not involve any reprofiling of the LRSP claim made by networks to the SOLR or the party assignee. We see no detriment to any licensee's financeability; indeed this has been designed to help strengthen the licensee's financial resilience.

Enforcement of network licences

The distribution networks have acknowledged the assignment of the LRSP claim to LRSP Borrower SPV Limited, pending Ofgem's formal approval. Where a network licensee fails to make an LRSP payment due in accordance with an obligation arising under or deriving from its licence, Ofgem would regard such non-payment as a contravention of the relevant licence condition. This would include non-payment to a LRSP Permitted Assignee. Such a contravention would have the potential to be a serious contravention.

As with any enforcement matter, Ofgem would expect to approach enforcement in accordance with its statutory duties and its Enforcement Guidelines.

This approval shall not, in respect of any licensee, affect or limit Ofgem's ability to: take enforcement or other legal action; modify or revoke any licence, give or refuse or modify consent in relation to matters connected with any licence; apply for a special administration

order; or enforce or modify any undertaking given to it, whilst recognising an LRSP Permitted Assignee's interest in receiving payment of LRSPs.

Miscellaneous

We will continue to consider the merits of each proposed assignment in the future, and nothing in here should be taken as a precedent. We welcome general comments on this assignment or observations on future assignments.

No one other than LRSP Borrower SPV Limited and Octopus Energy Limited can / should rely on this letter, and we don't accept any liability towards either the suppliers, the third party financier, networks or other parties.

Signed

Simon Wilde

Director, Analysis and Assurance

Duly authorised on behalf of the Gas and Electricity Markets Authority