



Via email only to: Andrew.Ryan@ofgem.gov.uk

FAO Andrew Ryan
The Office of Gas and Electricity Markets
10 South Colonnade
Canary Wharf
London, E14 4PU

18 May 2022

Dear Andrew,

Open letter about recovery of Last Resort Supply Payment claims from customers connected to GDN and IGT networks

Thank you for the opportunity to respond to the proposals in this open letter.

Broadly, we think it is important Ofgem ensures that all customers contribute to the recovery of Last Resort Supply Payment (LRSP) costs and not just those directly connected to Gas Distribution Networks (GDN). We therefore support the principle that Independent Gas Transporters (IGTs) also recover charges, as appropriate, from those customers connected via their networks.

Nevertheless, we recognise that, when they set their transportation charges for 2022/23, the GDNs could not foresee the receipt of this money from the IGTs, giving rise to this need to develop a process by which the value may be returned to consumers.

We note the advantages and disadvantages of each of the interim solutions, as set out in the open letter, but are not minded to offer any comment as to the tax implications that may or may not eventuate as a result of implementing any of these proposals. We do, however, concur with Ofgem's assessment of the disadvantages of Options 2 and 3 and are therefore minded to support implementation of Option 1: i.e. intra-year revision to network charges.

With regard to the enduring arrangements, we again find ourselves in agreement with Ofgem's 'minded-to' position. It would seem simpler to, more or less, continue with the existing arrangements; albeit requiring modification of the UNC to allow the GDNs to recover the LRSP charges from all customers, including those connected via an IGT.

Yours sincerely,

Rhona Peat
Head of Retail Regulation

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