

**Date**  
18 May 2022

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**Andrew Ryan**  
Head of Regulatory Finance Policy  
Ofgem  
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Dear Andrew,

**Recovery of Last Resort Supply Payment claims from customers connected to GDN and IGT networks**

Thank you for the opportunity to respond to Ofgem's open letter on proposals to recover Last Resort Supply Payment (LRSP) claims from customers connected to Gas Distribution Networks (GDN) and Independent Gas Transporters (IGT) networks. This response is made on behalf of Cadent and can be published by Ofgem.

Ofgem's preferred interim option is an intra-year revision to tariffs by GDNs. This would see LRSPs continue to be paid directly by GDNs. To avoid GDNs over-recovering, GDNs would revise 2022/23 tariffs by end of July, effective from 01 October 2022. IGTs would pay the GDNs for the LRSP costs relating to the customers connected via an IGT network, stated in the open letter as £35 per year per domestic customer. Of all the options presented for an interim solution, we believe this is the most sensible and practicable solution given our understanding of the challenges that have been outlined for the whole IGT community to be able to establish LRSPs directly.

In accordance with Standard Special Condition A4 of the Gas Transporter (GT) Licence, it is our intention to seek Ofgem's permission to revise tariffs within-year, effective from 01 October 2022. We will be issuing the notice in July 2022, providing two months notice.

For the avoidance of doubt, the money received by GDNs from IGTs will be treated as revenue for regulatory reporting purposes, and we encourage Ofgem to work collaboratively with GDNs prior to making any amendments to the Regulatory Instructions and Guidance (RIGs) for Revenue Reporting. It is our understanding that GDNs should not be exposed to any additional tax or accountancy implications as a result of the approach, and we will work closely with the IGTs to put the appropriate measures in place to achieve this.

We support implementation of an enduring solution for network charges from 2023/24. We agree this could be achieved via a Modification to the Uniform Network Code (UNC) which would allow a GDN to recover a LRSP charge from all customers, including those connected via an IGT. This enduring solution would see Ofgem continue to be responsible for apportioning the LRSP costs between domestic and non-domestic customers, with the LRSP claim being paid only by GDNs, not IGTs.



Of all options presented, we believe interim option 1 (intra-year revision to tariffs by GDNs) and an enduring solution from 2023/24 (Modification to the UNC), as being the most credible solutions given the challenges of creating interim and enduring solutions which would see the IGT community directly administering LRSPs.

Yours sincerely

**Gurvinder Dosanjh**

Industry Codes/Xoserve Contract Manager