



Making a positive difference
for energy consumers

Gas transporter licensees,
energy retail supply licensees,
and other interested parties

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Date: 27 July 2022

Consent letter about intra-year revision to tariffs for the over-recovery of Last Resort Supply Payment claims from customers connected to GDN networks

This letter relates to a consent given by the Gas and Electricity Markets Authority (GEMA¹) to all Gas Distribution Networks (GDNs) that are licensed by GEMA, to make an intra-year revision to tariffs for the over-recovery of Last Resort Supply Payment (LRSP) claims from domestic gas customers connected directly to networks operated by GDNs.

Reasons for our decision to grant consent for an intra-year revision of tariffs

In a decision letter dated 16 June 2022 (the 'Decision Letter')² we set out our reasons for choosing the option of an intra-year revision of tariffs as an interim solution in the 2022/23 charging year.

In the Decision Letter, we said that we do not consider it proportionate to revise existing approved SoLR LRSP claims such that they are paid by both GDNs and IGTs.

Instead, we decided to grant consent to enable GDNs to invoice IGTs to recover from each IGT an appropriate share of LRSP costs paid by the GDN to incoming SoLRs.

This consent letter gives effect to the decision made on 16 June 2022 and is necessary in order to implement the chosen interim solution.

The amount of the intra-year revision to tariffs made by each GDN will reflect forecasts provided by IGTs for the LRSP costs relating to the customers connected via an IGT network and as noted in the Decision Letter, GEMA recognises that there is an element of forecasting involved, and it is our intention that GDNs will be held harmless from any discrepancy between forecast receipts and actual receipts, associated with the implementation of this interim solution.

Formal Consent

The formal consent for an intra-year revision to network charges is in an annex to this letter.

If you have any questions regarding this letter, please contact Andrew Ryan (Andrew.Ryan@ofgem.gov.uk) in the first instance.

Yours sincerely,

Jonathan Gorrie

Chief Financial Advisor

For and on behalf of the Gas and Electricity Markets Authority

¹ References to 'the Authority', 'Ofgem', 'we' and 'our' are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.

² [Decision letter about interim solution to recovery of Last Resort Supply Payment \(LRSP\) claims from customers connected to gas distribution networks \(GDNs\) and Independent Gas Transporters' \(IGTs'\) networks](#)

Consent granted by the Gas and Electricity Markets Authority (GEMA)

To Gas Distribution Network licensees; company name and company number:

1. Cadent Gas Limited -	10080864
2. Northern Gas Networks Limited	05167070
3. Scotland Gas Networks plc	SC264065
4. Southern Gas Network plc	05167021
5. Wales & West Utilities Limited	05046791

Consent for an intra-year revision to network charges by Gas Distribution Networks for an over-recovery of Last Resort Supply Payment claims arising from failed gas shippers

WHEREAS:

- A. Each of the companies to which this Consent is addressed (each a 'GDN Licensee') holds a Gas Transporter licence granted, or treated as granted, pursuant to section 7 of the Gas Act 1986 ('the Gas Transporter Licence').
- B. On 16 June 2022 the Gas and Electricity Markets Authority (GEMA) issued a decision letter about an interim solution for recovery of Last Resort Supply Payment (LRSP) claims arising from the failure of gas shippers in the year ended March 2022.
- C. Implementation of the interim solution requires consent for an intra-year revision of network charges by Gas Distribution Networks (GDNs) to reflect the LRSP costs that will be recovered by Independent Gas Transporters (IGTs) from customers connected via networks operated by IGTs and paid by IGTs to GDNs.
- D. Granting consent to GDNs for an intra-year revision of network charges will enable an adjustment reflecting the over-recovery of LRSP claims from customers connected directly to GDN networks.
- E. GEMA considers it appropriate to grant the consent set out below, for the reasons set out above, which constitutes GEMA's notice of reasons under section 38A of the Gas Act 1986.
- F. Standard Special Condition A4 'Charging – General' paragraph 2, as modified by Standard Special Condition D11 'Charging Obligations' paragraph 1(b) states that the Licensee shall not make any changes to charges except in so far as the Authority otherwise consents.

NOW THEREFORE:-

- 1. GEMA hereby consents pursuant to Standard Special Condition A4 paragraph 2, as modified by D11 paragraph 1(b) of the GDN Gas Transporter Licence that, each GDN Licensee may make an intra-year revision to network charges to adjust for the over-recovery of approved LRSP claims arising from the failure of gas shippers.
- 2. This consent shall have effect from the date stated below.

Dated: 27 July 2022

**Jonathan Gorrie
Chief Financial Advisor
For and on behalf of the Gas and Electricity Markets Authority**