



04 August 2022

Last resort levy claims true-up process consultation

We welcome the opportunity to comment on the last resort levy claims true-up process. The positions taken by Ofgem seem reasonable but, given the scale of the SoLR claims, we believe some external independent scrutiny of claims is required and true-up methodologies should be consulted upon. Responses to the questions from the consultation are below.

Question 1: Do stakeholders agree with our minded-to position 1 (option 2)?

Options 3 and 4 are not in the best interest of consumers. Prolonging the period of supply for which claims can be made, significantly beyond the 6-month period specified in the Supplier of Last Resort direction, would mean customers bearing normal risks that should fall to the supplier.

We agree it is finely balanced between Options 1 and 2. We believe the decision should reflect the reasonable expectations that suppliers would have had when submitting their bids to be Supplier of Last Resort. So, selecting Option 2 requires Ofgem to be satisfied that suppliers had good reason to expect to be able to claim beyond the 6-month period (to the end of March 2022) specified in the Supplier of Last Resort direction.

Question 2: Do stakeholders agree with our minded-to position 2?

In addition, Ofgem should consult upon the methodology that will be used to assess the claims for financing costs. For example, it is not clear under what circumstances Ofgem would seek to disallow costs.

Question 3: Do stakeholders agree with our minded-to position 3?

As with any category, if this category of costs meets Ofgem's criteria for SoLR levy claims then SOLRs should be able to make claims.

Question 4: Do stakeholders agree with our minded-to position 4?

Patron HRH The Princess Royal Chief Executive Dame Clare Moriarty

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Charity registration number 279057. VAT number 726 0202 76. Company limited by guarantee. Registered number 1436945.

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This appears to be a reasonable approach. Individual SoLR's smart PPM data could be compared against data aggregated across SoLRs and outliers further investigated. Aggregated data may be able to be used for SoLRs with a small proportion of smart PPM customers. Care will be required to ensure different SoLRs' data are sufficiently similar to be aggregated, particularly as the transfer dates for which data will be supplied will be different.

Question 5: Do stakeholders agree with our minded-to position 5?

Given the expected scale of SoLR claims, with the current estimate of £2.7bn¹, we do not believe that internal audit is sufficient. The approach taken towards supplier compliance with various schemes administered by Ofgem, where only a certain number of suppliers are selected for audit each year², would be an appropriate and more proportionate approach. It should be noted that although any true-up payments may be smaller, the true-up process determines the total SoLR claims value.

We would also repeat our request³ that the wholesale methodology should be consulted upon as the company specific detail in the consultations on the claims themselves may be limited by commercial confidentiality.

Question 6: Do stakeholders agree with our minded-to position 6?

Increasing the stability of energy bills by lessening the short-term impact of levy claims is good for customers. So, we agree the temporary levy process should end as soon as possible..

Yours sincerely,

Andy Manning
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¹ [The energy supplier market](#)

² [Supplier Performance Report: July to December 2021 | Ofgem](#) (Audit section)

³ [Citizens Advice response to Last Resort Supply Payment claim \(LRSP\) process open letter](#)