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30 June 2023

Melissa Giordano  
Deputy Director, Retail Systems and Processes  
Ofgem  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

Dear Melissa,

**RE: Ending the temporary Last Resort Supply Payment claim process**

Thank you for the opportunity to comment on Ofgem's proposals relating to claims by Suppliers of Last Resort (SoLRs) for Last Resort Supply Payments (LRSPs).

With regard to Ofgem's first proposal, to end the multiple claims process on 31 August 2023, Ofgem's rationale is based on several factors. These include the fact that wholesale prices have stabilised and started to decrease as well as the measures Ofgem has introduced to help stabilise the market. We are grateful to Ofgem for the support it has provided over the past 20 months through the introduction of the multiple claims process which has enabled suppliers to recover a significant proportion of wholesale costs in a timely manner. Whilst we agree that, at present, the market is more stable than when multiple suppliers failed during late 2021/early 2022, we are mindful that a relatively short amount of time has elapsed since those market failures. We therefore suggest that Ofgem reconsiders whether it is the right time to assume the market is sufficiently stable to remove the opportunity to make use of the multiple claims process.

While the market is showing early signs of stability, Ofgem could retain an element of flexibility where suppliers are able to use either the single or multiple claim process depending on the circumstances of the case. Suppliers could be made aware at the time of a SoLR RFI being issued whether the single or both the single and multiple claims processes are available for each SoLR event. This approach may alleviate the concerns of some suppliers to put themselves forward as future SoLRs depending on the situation at the time. Additionally, it may not only encourage more suppliers to bid to take on the customers of a failed supplier but potentially lead to more attractive offers for Ofgem to consider.

Ofgem's second proposal is to introduce a requirement for suppliers to carry out an internal audit for each LRSP claim submitted for Ofgem's consent. We note that this process was introduced for suppliers appointed as SoLR from 1 September 2021 and, given both the scale and categories of cost involved, we can understand how this would have provided Ofgem with additional assurance.

As Ofgem proposes to remove the multiple claims process on 31 August 2023, we assume that Ofgem also anticipates that substantial claims for wholesale costs will not be a feature of future claims. If this is the case, cost recovery is likely to be more in line with LRSP claims submitted prior to mid-2021 onwards and of significantly reduced value and complexity.

With this in mind, we believe the original process of Ofgem carrying out checks on LRSP claims would be more than sufficient. Suppliers should already be ensuring that any submission of an LRSP claim is compliant with licence requirements and Ofgem has a number of templates at its disposal to ensure consistent submissions from each SoLR. We note that the internal audit carried out by E.ON as part of the multiple claims process highlighted only a handful of very minor points and we suggest Ofgem considers the cost/benefit of implementing this approach. It is possible that the audit proves to be more costly than rectifying any issues highlighted.

We would be happy to discuss our views in more detail if helpful. If you have any questions in relation to our response, please do not hesitate to contact me.

Yours sincerely,

Lucy McMahon

Senior Regulation Manager