

Steve Kirkwood  
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Ofgem  
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E14 4PU

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Dear Steve

**SUPPLIER GSOP PAYMENTS INFLATION UPLIFT**

We welcome the opportunity to respond to Ofgem's consultation on the supplier GSOP payments inflation uplift consultation.

We broadly agree with the proposal to uplift payments in line with inflation and ensure customers continue to be fairly compensated. However we believe option 3 '*historical inflation and automatic mechanism*' would better reflect the interests of consumers and suppliers than option 2 '*historical inflation and forecast future inflation*'.

We have provided our response to the consultation questions in Annex 1.

Yours sincerely,



**Richard Sweet**  
Director of Regulatory Policy

**SUPPLIER GSOP PAYMENT INFLATION UPLIFT – SCOTTISHPOWER RESPONSE**

**Question 1: Do you agree with our rationale and assumptions for the supplier GSOP payment level uplift?**

Yes, we agree with the rationale and assumptions for the supplier GSOP payment level uplift. This is in line with the CPIH measure of inflation used for both the 2015 update to supplier GSOP payment level and the 2023 update to the DNO GSOP payment level.

**Question 2: Do you agree or disagree with our preferred option for uplifting payments?**

We see merit in having a mechanism in place to ensure consumers are compensated fairly in line with inflation and we understand Ofgem's rationale for preferring option 2 '*historical inflation and forecast future inflation*', which is in line with the approach used to set the £30 payment level from 2015 for suppliers and is said to have less complexity for suppliers.

However, option 3 '*historical inflation and automatic mechanism*' would be our preferred option as it links this figure directly to inflation, making it more accurate than the other options. An automatic adjustment mechanism could be introduced within the Statutory Instrument meaning both supplier and network GSOPs were fully aligned.

We agree with Ofgem that option 3 would be fully future proofed and provide suppliers and consumers with a level of clarity that the payment levels would be adjusted on an annual basis and in line with current inflation. We appreciate the size of the adjustment will vary year on year, however this will be a true reflection of inflation and consistent with Ofgem's rationale and assumptions for the supplier GSOP payment uplift.

Ofgem notes (paragraph 3.22) that option 3 could introduce unnecessary complexity for any new suppliers entering the market in future years as the correct level of payment would not be set out as part of the regulations themselves. We do not think this should be a significant concern for new entrants as Ofgem can easily signpost them to the relevant information.

Overall, Ofgem considers (paragraph 3.23) that option 3 is not best suited for use in relation to suppliers and has the potential to over-complicate the process with little to no benefit in the medium to long term. We disagree. In ScottishPower's case we would not need to make any system changes once the values are confirmed and customers would be compensated in line with the current inflation.

**Question 3: Are there any factors that we have not considered for each of the options under consideration?**

We have not identified any other factors that have not been considered for each of the three options.

**ScottishPower**  
June 2024