

Gas and Electricity Suppliers,  
Electricity Distribution Network  
Operators,  
Gas Transporters and all other  
interested parties

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18 August 2025

## **Last Resort Supply Payment Claim from British Gas Trading Limited**

On 7 July 2025, British Gas Trading Limited ("British Gas") gave notice to Ofgem of its claim for a Last Resort Supply Payment (LRSP) in relation to acting as Supplier of Last Resort (SoLR) to customers of the former People's Energy (Supply) Limited's ("People's Energy").

Under Standard Licence Condition (SLC) 9.1 of the Supply Licence, SoLRs are entitled, provided Ofgem consents, to make a claim for a LRSP from each Relevant Gas Transporter and Electricity Distribution Operator. The claim from British Gas included its calculation of the claim amount and information to support the calculation.

This letter sets out the reasons why we are minded-to consent to British Gas claiming a LRSP of up to **£16,927.20**

We are minded-to consent to British Gas making a claim for costs incurred in complying with a Last Resort Supply Direction<sup>1</sup> relating to:

- protecting the credit balances owed to former customers of People's Energy.

During winter 2021/22 we introduced a number of temporary changes to the LRSP claim process, which were designed to ensure that the SoLR process continues to protect consumers in volatile market conditions. As part of that faster multiple-claim levy process, each of the SoLRs entered into a true-up agreement with us. Under this True-up Agreement between British Gas and Ofgem, Initial and Subsequent Levy Claims and a final True-up Claim may be made.

We are minded-to consider this claim to be a Subsequent Levy Claim for the purposes of the True-up Agreement. This would mean that the final True-up claim would happen next year, or in the years after. This will enable British Gas to submit additional LRSP claims with supporting evidence for costs that have not yet been approved by Ofgem. As a result of this, under the terms of the True-up Agreement, we will require a final True-up claim to be submitted in the future. In the meantime, we note that obligations under the True-up Agreement continue to apply and will remain in place until a final True-up claim has been finalised.

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<sup>1</sup>[Direction to appoint British Gas Trading Limited as Electricity Supplier of Last Resort for customers of People's Energy \(Supply\) Limited | Ofgem](#); [Direction to appoint British Gas Trading Limited as Gas Supplier of Last Resort for customers of People's Energy \(Supply\) Limited | Ofgem](#)

The purpose of this consultation letter is to provide interested parties with an opportunity to make any representations to us, ahead of us making our final decision. We will consider any representations before making our final decision.

In addition, before we make our final decision, we will conduct an additional assurance process in respect of the calculations contained in our minded-to position, the results of which may also be reflected in our final decision.

We expect to make our final decision in September 2025.

## **Background**

### *The SoLR process*

Electricity and gas supply is a competitive activity in Great Britain. While competition has the potential to bring many benefits to consumers, in a competitive market, companies that are not operating efficiently may fail. This applies as much in relation to the gas and electricity supply markets as it does to other markets.

It is Ofgem's statutory duty to protect customers' interests when suppliers fail. When a supplier fails, our focus is to ensure continuity of supply for its customers and to minimise wider negative impacts on the market.

Ofgem can ensure continuity of supply to the failed supplier's customers and minimise these wider negative effects by appointing a SoLR, which is issued with a Last Resort Supply Direction requiring it to supply the failed supplier's customers at very short notice<sup>2</sup>.

### *Failed Supplier event*

On 20 September 2021, we appointed British Gas as the SoLR<sup>3</sup> for People's Energy gas<sup>4</sup> and electricity<sup>5</sup> customers, following separate announcements that they had ceased trading. This followed an appointment process aimed at getting the best deal for consumers. We outlined the material factors behind our decision to appoint British Gas as the SoLR to those customers in our decision letters published on 23 June 2022<sup>6</sup>.

### *British Gas claim*

British Gas indicated at the time of our SoLR appointment process that it would not waive its right to make a claim for LRSP for wholesale, credit balances, financing costs and certain other costs.

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<sup>2</sup> The obligation for a supplier to comply with a LRSD derives from standard licence condition 8 of each supplier's gas and electricity supply licences and is intended to ensure a universal service for Great British energy consumers (for further information on this universal service, see Articles 3(3) of the EU Directives 2009/72/EC and 2009/73/EC).

<sup>3</sup> [Ofgem appoints British Gas to take on customers of People's Energy | Ofgem](#)

<sup>4</sup> [Direction to appoint British Gas Trading Limited as Gas Supplier of Last Resort for customers of People's Energy \(Supply\) Limited | Ofgem](#)

<sup>5</sup> [Direction to appoint British Gas Trading Limited as Electricity Supplier of Last Resort for customers of People's Energy \(Supply\) Limited | Ofgem](#)

<sup>6</sup> [Appointment of British Gas Trading Limited as Supplier of Last Resort for People's Energy \(Supply\) Limited | Ofgem](#)

The initial claim was consented to on 17 December 2021,<sup>7</sup> and subsequent claims were consented to on 19 December 2022,<sup>8</sup> and 12 December 2023.<sup>9</sup> Consistent with the terms of that consent and the True-up Agreement between the SoLR and Ofgem, we have taken those claims into consideration in reaching our minded-to position on this claim.

## Summary of our minded-to decision

Based on the information available and consideration of the circumstances in which the claims for LSRPs by British Gas were consented to, and in accordance with the True-up Agreement in relation to customers of the former People's Energy, Ofgem is minded-to consent to British Gas claiming a LRSP of up to £16,927.20.

Under the Supplier SLCs we are required to consider on a case-by-case basis whether in the circumstances it is appropriate for a SoLR to make a claim for a LRSP. We have set out below our reasons for our position for this case. This should not be taken as setting a precedent for any future claims, which would also be considered on their merits and on a case-by-case basis, taking into account all relevant circumstances of the particular case.

Table 1: Summary table of approved initial and subsequent claims and minded-to position on latest claim.

Item	Cost	Initial and Subsequent Claims Approved	Subsequent Levy Claim Submitted	Minded-to position on Subsequent Levy Claim
1	Credit Balances	£57,654,635.94	£16,927.20	£16,927.20
	Total	£57,654,635.94	£16,927.20	£16,927.20

## Reasons for our minded-to decision

### Cost category: Credit balances

Under SLC 9.4(b) a SoLR can claim 'any sums paid or debts assumed by the licensee to compensate any Customer in respect of any Customer Credit Balances'.

#### Decision:

British Gas claim £16,927.20 for credit balances repaid to date to ex-customers of People's Energy.

We consider that the claimed amount is consistent with the definition of Customer Credit Balances in SLC 9.4(b) and we minded-to consent to the claim. We have set out our rationale for this position below.

Table 2: Summary of claims and minded-to position for credit balances

Item	Cost	Initial and Subsequent Claims Approved	Subsequent Levy Claim Submitted	Minded-to position on Subsequent Levy Claim
1	Credit Balances	£57,654,635.94	£16,927.20	£16,927.20
	Total	£57,654,635.94	£16,927.20	£16,927.20

<sup>7</sup> [Faster SoLR levy process: consents to Last Resort Supply Payments | Ofgem](#)

<sup>8</sup> [Decision on last resort levy true-up claims 2022 | Ofgem](#)

<sup>9</sup> [Decisions on Last Resort Supply Payment Claims 2023 | Ofgem](#)

### Rationale for decision

As part of our assessment of the closed account credit balances, our position is that costs incurred by SoLRs as a result of credit balance refunds being made by cheque should only be recovered by the supplier through the levy once that cheque is cashed. This is to avoid consumers bearing the cost of compensation for credit balances that are yet to be received or not cashed by customers of the failed supplier and to ensure the SoLR does not benefit from a situation where some cheques are never cashed.

British Gas has submitted evidence as part of its claim demonstrating instances where previously disallowed uncashed cheques have since been cashed by former customers of People's Energy. We have deducted £61.42 from the submitted claim pending an explanation on a specific refund and will revisit this when available.

### **Next steps**

The purpose of this letter is to provide the SoLR and interested parties with an opportunity to make any representations to us, ahead of us making our final decision on this LRSP claim. We invite any representations by 1 September 2025. Responses should be emailed<sup>10</sup> to [solrlevyteam@ofgem.gov.uk](mailto:solrlevyteam@ofgem.gov.uk).

We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so that they can be placed easily on our website and to minimise administrative costs.

We will take into account all relevant information, including any representations we receive, and the results of our internal assurance of our assessment process in reaching our final decision on British Gas' claim. We expect to make our final decision in September.

Yours faithfully,

**David Hall**  
**Deputy Director, Financial Resilience and Controls**

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<sup>10</sup> Although we prefer responses in electronic format, responses can be posted to the address below.