

To: All holders of an electricity distribution special licence

Electricity Act 1989

Section 11A(1)(b)

Modification of the special conditions of all electricity distribution special licences

1. Each of the licensees to whom this document is addressed has a distribution special licence which has been granted or treated as granted under section 6(1)(d) of the Electricity Act 1989 (the Act).
2. Under section 11A(2) of the Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 19 September 2024 ('the Notice') that we propose to modify Chapter 6: Pass-through expenditure, 6.1.3. We stated that any representations to the modification proposal must be made on or before 18 October 2024.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received 27 responses to the Notice, which we carefully considered. We have placed all non-confidential responses on our website. Our response to these comments is set out in the accompanying decision.
5. It is necessary to make a number of minor alterations to the modifications set out in the Notice. These alterations are shown [in yellow highlight] in the attached Schedule 1. The reasons for any differences between the modifications set out in the Notice and the modifications reflected in Schedule 1 are to correct minor typographical errors, and address minor issues as well as to respond to corrections raised in consultation responses.
6. We are making these licence changes to:
 - Implement the Supplier of Last Resort (SoLR) Levy Offset. The SoLR Levy Offset has been developed in response to the significant impacts on consumers of supplier

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

failures after a number of failures in winter 2021. The primary intended effect of this proposed addition is to reduce the mutualised costs associated with supplier failure.

- Account for adjustments to a SoLR's Valid Claim. Adjustments to the total may result from the SoLR receiving an overpayment. In the case of an overpayment, under the 'multi-claims' process, the LRSP amount to be paid by (or due to) the network from the SoLR is correspondingly adjusted.

7. The effect of the modifications is as described in the Notice².

8. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.6 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules³ requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. The attached Schedule 2 provides a list of the relevant licence holders in relation to this modification. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.

Under the powers set out in section 11A(1)(b) of the Act, we hereby modify the standard licence conditions for all electricity distribution special licences in the manner specified in attached Schedule 1. This decision will take effect from 1 October 2025.

This document is notice of the reasons for the decision to modify the electricity distribution special licences as required by section 49A(2) of the Act.

David Hall, Deputy Director of Financial Resilience and Controls

Duly authorised on behalf of the Gas and Electricity Markets Authority

5 August 2025

² [SoLR Levy Offset Statutory Consultation | Ofgem](#)

³ CMA70 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf

Schedule 1

*Chapter 6: Pass-through expenditure – Special Condition 6.1 Pass-through items - Part A:
Formula for calculating the pass-through items (PTt)*

6.1.3

SLR _t	<p>means the aggregate Specified Amount of the Valid Claims requiring payment in accordance with the licensee's obligations under Standard Condition 38B (Last Resort Supply Payment Claims) <u>plus any costs recoverable in accordance with Standard Condition 38B.10,</u></p> <p><u>less any amounts directed by the Authority to be repaid to the licensee by any Electricity Supplier under Standard Licence Condition 9.7ZA (Reconciliation of Claims) of the Electricity Supply Licence including interest accrued upon such receipts.</u></p>
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[...]

SRC _t	<p>means payments received by the licensee from an Affiliate or Related Undertaking of a Former Electricity Supplier or a trustee or escrow agent holding funds received from such a person, which relates to a Valid Claim that required payment in accordance with the licensee's obligations under Standard Condition 38B (Last Resort Supply Payment Claims),</p> <p><u>plus any payments received from a Former Electricity Supplier (or an officeholder in respect of a Former Electricity Supplier) under an undertaking to the licensee under standard condition 9A (Undertakings to Licensed Distributors in relation to Last Resort Supply Payments) of the standard conditions of an Electricity Supply Licence.</u></p>
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Schedule 2

List of the relevant licence holders in relation to this modification are listed at:

[List of all electricity licensees including suppliers | Ofgem](#)