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10 October 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 we consent, 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 regarding post-acquisition credits to support the calculation (outlined in Table 1).

On 18 August 2025, we published a minded-to position for consultation in relation to that claim and invited consultation responses.<sup>1</sup> We received no responses to the minded-to position consultation, however we did undertake further internal assurance of our minded-to position.

### **Decision**

After taking into consideration the results of our internal assurance process, we consented to British Gas making an LRSP claim of up to **£16,927.20** in relation to acting as the SoLR for People's Energy (Supply) Limited's ("People's Energy").

This letter is the notice of reasons for our decision on the subsequent claim for the costs incurred in complying with a Last Resort Supply Direction in relation to:

- protecting the credit balances owed to former customers of People's Energy (Supply) Limited's ("People's Energy").

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<sup>1</sup> [Last Resort Supply Payment claims minded-to positions 2025 | Ofgem](#)

We have assessed this LRSP claim in accordance with our policy published 21 September 2022,<sup>2</sup> and consistent with our published *Guidance on supplier of last resort and energy supply company administration orders*.<sup>3</sup> In addition, in making this decision, we have had regard to our principal objective of protecting the interests of current and future energy consumers<sup>4</sup>, the public sector equality duty<sup>5</sup>, relevant licence provisions, and the particular circumstances of the case.

As part of the temporary multiple-claim levy process introduced in December 2021, British Gas entered into a True-up Agreement with us. Under the True-up Agreement between British Gas and us, Subsequent Levy Claims may be made following the Initial Levy Claim and before a final True-up claim.

We set out in the consultation that we were minded to consider this claim to be a Subsequent Levy Claim under the True-up Agreement. Following this consultation, we consider that this remains a reasonable approach. Accordingly, we have made our consent to this LRSP claim conditional on confirmation by British Gas that this claim is a Subsequent Levy Claim for the purposes of the True-up Agreement, and that the terms of the True-up Agreement continue to apply. This will enable British Gas to submit additional LRSP claims with supporting evidence for costs that have not yet been approved by us. A final True-up Claim will be required in future; SoLRs should refer to the relevant True-up Deeds for when these claims are to be made.

Clause 2.2 of the True-up Deed sets out when the agreement will terminate:

*"This Deed shall continue in force (and the undertakings contained herein shall be irrevocable) until the earlier of:*

- (a) Where any Valid True-up Amount is an Excess, the date upon which the SoLR has repaid in full the total of any Excess resulting from the True-ups of all Last Resort Supply Directions covered by this Deed;*
- (b) Where any Valid True-up Amount is a Deficit, the date of the last of the Valid Final Levy Claim(s) covered by this Deed; and*
- (c) The date of termination specified in any notice of termination of this Deed issued by the Authority."*

Nothing in this decision should be taken as setting a precedent for any future claims (by British Gas or otherwise), which would also be considered on their merits and on a case-by-case basis, taking into account all relevant circumstances.

An overview of British Gas's LRSP claim together with the reasons for decision with respect to this claim are set out below.

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<sup>2</sup> [Decision on last resort levy claims true-up process | Ofgem](#)

<sup>3</sup> [Supplier of Last Resort: Revised Guidance 2016 | Ofgem](#)

<sup>4</sup> s4AA Gas Act 1986 and s3A Electricity Act 1989

<sup>5</sup> [Equality Act 2010 Part 11 Sections 149 to 157](#) [Equality Act 2010 \(legislation.gov.uk\)](#)

## **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 our 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.

We 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>6</sup>

### *Failed Supplier event*

On 19 September 2021, we appointed British Gas as the SoLR<sup>7</sup> for People's Energy gas<sup>8</sup> and electricity<sup>9</sup> customers, following an announcement that it 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>10</sup>.

### *Decision-making process*

Under SLC 9.5, we must decide whether it is appropriate in all the circumstances of the case for the SoLR to make the LRSP claim notified to Ofgem in accordance with Standard Licence Condition 9.3. In making this decision we have considered evidence provided by British Gas, and our own knowledge of the energy markets. We did not receive any responses to our consultation on the minded-to position on this claim.

In exercising this decision-making function, we have had regard to the interests of current and future consumers of gas and electricity and considered the public sector equality duty.

We published a minded-to position on this claim on 18 August 2025<sup>11</sup> and invited consultation responses.

### *Overview of 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>6</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>7</sup> [Ofgem appoints British Gas to take on customers of People's Energy | Ofgem](#)

<sup>8</sup> [People's Energy - SoLR Direction \(BG\) - gas.pdf](#)

<sup>9</sup> [People's Energy - SoLR Direction \(BG\) - elec.pdf](#)

<sup>10</sup> [Decision Letter - People's Energy.pdf](#)

<sup>11</sup> [Last Resort Supply Payment claims minded-to positions 2025 | Ofgem](#)

The initial claims were consented to on 17 December 2021,<sup>12</sup> and subsequent claims were consented to on 19 December 2022<sup>13</sup> and 12 December 2023.<sup>14</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 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, we have decided to consent to an LRSP claim of up to **£16,927.20**.

*Table 1: Summary of claims and decision for credit balances*

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

### Reasons for decision

We set out our general approach to SoLR levy claims in our September 2022 policy decision<sup>15</sup>.

Our general preference is for a SoLR not to make a LRSP claim for costs it has incurred carrying out its role. However, we recognise that circumstances may exist which would justify a departure from this general rule. We recognise that the costs of this claim will ultimately be paid by consumers. In our assessment of the claim, consideration has been given to the interests of current and future consumers, particularly those in more vulnerable circumstances.

In the particular circumstances of this claim, and in line with the relevant licence conditions, we consider it appropriate to allow for the additional and otherwise unrecoverable costs included in this claim to be recovered via a LRSP. We consider it to be in the interest of current and future consumers to allow this claim to ensure that the safety net provided by the SoLR process remains viable into the future, and the stability of the retail energy market is not further undermined to the detriment of all consumers.

### 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'. Our published guidance sets out circumstances in which we may consider it appropriate to approve a

<sup>12</sup> [Faster SoLR levy process: consents to Last Resort Supply Payments | Ofgem](#)

<sup>13</sup> [Decision on last resort levy true-up claims 2022 | Ofgem](#)

<sup>14</sup> [Decisions on Last Resort Supply Payment Claims 2023 | Ofgem](#)

<sup>15</sup> [Decision on last resort levy claims true-up process | Ofgem](#)

claim for the amount a SoLR spends compensating customers with a positive credit balance with a failed supplier.

#### Decision

British Gas claimed **£16,927.20** in compensation to ex-customers of People's Energy for their credit balances. We consider that the claimed amount is consistent with SLC 9.4(b).

*Table 2: Summary of claims and decision for credit balances*

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

#### Summary of minded-to position

British Gas requested our consent to claim **£16,927.20** through a LRSP for the cost of refunding credit balances of customers and former customers held at the time British Gas was appointed as SoLR for People's Energy. Where British Gas had compensated customers for credit balances by issuing cheques, we were minded-to allow British Gas to claim the value of the cheques that had been cashed.

#### Reasons for decision

British Gas requested our consent to recover **£16,927.20** for the cost of refunding credit balances to some former customers of People's Energy. We are satisfied that the claim is for cheques, sent to customers to compensate them for credit balances, that have been cashed. As explained in our minded-to position, we do not consider that it would be appropriate to allow SoLRs to claim for closed account credit balance cheques until the point that they are actually 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 this.

We have therefore decided to consent to a LRSP claim of **£16,927.20** for sums paid to compensate customers for credit balances.

#### **Recovery of Excess**

On 13 June 2025, British Gas informed us in writing of both a received, and a final expected recovery from the administrators of People's Energy. This final recovery has since been paid bringing the total amount recovered to **£76,229,300.91**. If a SoLR has claimed a LRSP for CCBs then, as it has already been compensated, any amount recovered from the failed supplier must be repaid to consumers.

The True-up Agreement entered into by Ofgem and British Gas sets out the process for repaying any Excess:

*7.1 Where any Valid True-up Amount is an Excess, the Authority shall, acting reasonably, determine that the SoLR must repay an amount equal to the Excess including any interest accrued. Where it so determines and acting reasonably, the Authority shall provide a draft direction setting out the time, method and amount of any such repayment, together with the rate of interest, where relevant, and shall provide such draft to the SoLR and other relevant stakeholders, consulting where appropriate (a Draft Repayment Direction).*

*7.2 The Authority will consider any representations received from the SoLR, and, if relevant, any consultation on the Draft Repayment Direction and will issue a final repayment direction setting out the time, method and amount that the SoLR will be required to repay, including any interest (a Final Repayment Direction).*

As a result of this decision, British Gas is required to repay the determined Excess of **£76,229,300.91** plus the relevant amount of interest specified in the Final Repayment Direction. The specific amounts to be paid to each relevant licensed gas and electricity network operator will be set out in the Final Repayment Direction.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'D Hall', written in a cursive style.

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