

Public

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Resetting the energy debt landscape

Dear Dan,

Thank you for the opportunity to respond to your consultation on resetting the energy debt landscape.

Who we are

As National Energy System Operator, NESO lies at the heart of the energy system as an independent, public corporation responsible for planning Great Britain's electricity and gas networks, operating the electricity system and creating insights and recommendations for the future whole energy system.

At the forefront of our efforts is delivering value for consumers. We work with government, regulators and our customers to create an integrated future-proof system that works for people, communities, businesses and industry, where everyone has access to clean, reliable and affordable energy.

NESO's primary duty is to promote three objectives: enabling the government to deliver net zero, promoting efficient, coordinated and economical systems for electricity and gas and the economy and efficiency of energy businesses and ensuring security of supply for current and future consumers. NESO will take a whole system approach, looking across natural gas, electricity and other forms of energy and will engage participants in all parts of the energy ecosystem to deliver the plans, markets and operations of the energy system of today and the future.

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Our key points

As an Ofgem licenced entity, NESO is fully supportive of an industry-wide debt relief scheme providing financial support to customers who are struggling to repay debt accrued through the energy crisis. Our response is limited to the question of funding through network companies with recovery through network charges.

- Whilst NESO is not technically a network company, we agree that NESO should be considered as a source of funding if support were to be proportionate to the network companies mentioned in the consultation.
- In assessing any potential future allocation of funding across industry parties, consideration should be given to the fact that NESO carries only a diminishing RAV which constitutes the balance at Day 1 and is being repaid to DESNZ (without being further added to). If this were not the case, NESO would not have a RAV balance at all (and indeed, once the Day 1 RAV is fully repaid, in around seven years' time, is not intended to have a RAV).
- As a government owned entity NESO has no ability to access external funding. The only funding to which NESO has access is the HM Treasury supplied Working Capital Facility (WCF), which is fully allocated (though may not be fully utilised at any point in time).
- Distributing funds in winter 2025/26 before collecting cash through network charges could put NESO under financial stress, as our WCF is not sized to support this risk. We would therefore support only making payments once funds have been collected through network charges.

We look forward to engaging with you further. Should you require further information on any of the points raised in our response please contact Craig Bell, Finance Business Partner, at craig.bell@nationalgrideso.com.

Jane West

Senior Finance Business Partner