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

Email: solrlevyteam@ofgem.gov.uk

21 August 2026

Last Resort Supply Payment Claim from EDF Energy Customers Limited

On 4 June 2026, EDF Energy Customers Limited ("EDF") gave notice to Ofgem of its final True-up Claim for a Last Resort Supply Payment (LRSP) in relation to acting as Supplier of Last Resort (SoLR) to customers of the former Zog Energy Limited ("Zog").

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

This letter sets out the reasons why we are **minded to reject EDF's proposed calculations on working capital amounts; refuse consent for other costs and adjust EDF's total credit balances claim amount by -£1,087,341.27 to reflect a recovery from the administration of the former Zog Energy.**

During winter 2021/22 we introduced a number of 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 EDF and Ofgem, Initial and Subsequent Levy Claims and a final True-up Claim may be made.

EDF has indicated that it wishes to close the True-up Agreement for Zog, and we are therefore minded to consider this claim to be a final True-up Claim for the purposes of the True-up Agreement.

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 2026.

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[1].

Failed Supplier event

On 3 December 2021, we appointed EDF as the SoLR[2] for Zog gas[3] customers, following an announcement that Zog 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 EDF as the SoLR to those customers in our decision letter published on 18 March 2022[4].

EDF claim

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

The initial claim(s) were consented to on 17 December 2021[5] and a subsequent claim was consented to on 20 December 2022[6] and 14 December 2023[7]. Consistent with the terms of that consent and the True-up Agreement between EDF (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 LRSPs by EDF are being made in relation to customers of the former Zog, Ofgem is minded to refuse consent for "other costs" submitted as part of this claim and reject EDF's proposed calculations on the working capital repayment amount.

We also intend to direct that EDF return £1,087,341.27 of recovered credit balance amounts to the networks via the levy process and we will adjust the final credit balance levy claim to reflect this. We intend publishing a direction detailing the amount and applicable interest in September.

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[1] 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).
[2] Ofgem appoints EDF to take on customers of Zog Energy Ltd | Ofgem
[3] Direction to appoint EDF Energy Customers Limited as Gas Supplier of Last Resort to Zog Energy Limited.pdf
[4] Decision Letter - Zog Energy.pdf
[5] EDF Energy Customer Ltd - LRSP Notice of Reasons - for Zog EnergyLimited.pdf
[6] Decision on last resort levy True-up claims 2022 | Ofgem
[7] Decisions on Last Resort Supply Payment Claims 2023 | Ofgem

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 in 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 final True-up Claim

Item	**Cost**	**Initial Claim**	**First subsequent claim**	**Second subsequent claim**	**This claim (as submitted)**	**Minded-to position on Final True-up claim**
1	Wholesale	£4,348,260	£2,204,287.68	£20,407.99	£0.00	£0.00
2	Credit Balances	£0	£1,120,696.55	£0.00	£0.00	-£1,087,341.27
3	Working Capital	£211,623	£339,727.95	£1,493.01	-£62,778.26	£0.00
4	Other Costs	£0	£209,087.12	£0.00	£1,688.00	£0.00
	Total	£4,559,883	£3,873,799.30	£21,901.00	-£61,090.26	-£1,087,341.27

Table 2: Summary table of final claim totals

Item	**Cost**	**Final LRSP total (incl. minded-to amounts)**
1	Wholesale	£6,572,955.67
2	Credit Balances	£33,355.28
3	Working Capital	£552,843.96
4	Other Costs	£209,087.12
	Total	£7,368,242.03

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:

EDF has not submitted a claim for credit balances repaid to date to ex-customers of Zog as part of its final True-up Claim. However, EDF has also informed us of a recovery of credit balance amounts it received from the administrators of Zog of **£1,087,341.27**.

In line with the True-up Agreement, we have reflected the administrator recovery in our minded-to assessment of the final True-up claim. As a result, we consider that EDF should return £1,087,341.27 to networks, plus applicable interest to be determined. We have set out our rationale for this position below.

Table 3: Summary of final True-up Claim and minded-to position for credit balances

Item	**Cost**	**Initial and Subsequent Claims Previously Approved**	**Final True-up Claim Submitted**	**Recovery from administrators for Credit Balances**	**Minded-to position on Final True-up Claim**
2	Credit Balances	£1,120,696.55	£0	£1,087,341.27	-£1,087,341.27

Rationale for decision

As noted above EDF has informed Ofgem of a recovery of credit balances from the administration of Zog of £1,087,341.27.

The purpose of the True-up process is to ensure the final position reflects actual costs and recoveries before the agreement is closed, thereby preventing over recovery by the SoLR and ensuring any excess recoveries are returned to consumers via the levy arrangements. Consistent with the True-up and LRSP consents, where a SoLR has received payments for credit balances through the levy arrangements and subsequently receives a recovery from the insolvency of the failed supplier in respect of the same underlying costs, that recovery should be reflected through the True-up process.

To date, EDF has claimed £1,120,696.55 through the levy arrangements in respect of customer credit balance refunds which was approved by Ofgem. Following receipt of £1,087,341.27 from the Zog administration in relation to the same customer credit balance liabilities, EDF has recovered amounts that exceed the amount it was permitted to recover. As the levy arrangements are designed to reimburse, rather than overcompensate suppliers for those costs, EDF is not entitled to retain the excess amount it recovered.

EDF will therefore need to return this recovery to consumers via the industry levy process, and we have adjusted our minded-to amounts to reflect this. Interest will also be calculated on the recovery amount in line with the True-up document and published in the relevant directions.

Cost category: Working capital

Our published policy on the multi-claim process[8] sets out the requirements for SoLRs seeking to claim financing or working capital costs. It also sets out the requirement for SoLRs to demonstrate, with evidence, that their financing cost claim delivers value for money for consumers and is the best possible rate they could achieve given their individual circumstances.

Decision:

EDF's claim for working capital is equivalent to -£62,778.26, which is the net amount offset against amounts that the supplier has calculated would be returned to networks. EDF asserts that this claim reflects the financing costs associated with refunding customers credit balances after being appointed as SoLR.

We consider that the claimed amount is not consistent with our criteria and the commitments made by EDF at the bidding stage, and we are therefore minded to refuse consent for the claim.

[8] https://www.ofgem.gov.uk/publications/decision-last-resort-levy-claims-true-process

Table 4: Summary of final True-up Claim and minded-to position for working capital

Item	Cost	Initial and Subsequent Claims Previously Approved	Final True-up Claim Submitted	Minded-to position on Final True-up Claim
3	Working Capital	£552,843.96	-£62,778.26	£0

Rationale for decision:

When a SoLR is appointed, it incurs costs associated with taking on the new customers (purchasing energy for new customers, migration costs etc.) which need to be financed. There are a range of ways in which SoLRs can finance this activity. Regardless of the finance option used, there is a cost in doing so. These financing costs vary based on the individual characteristics of the supplier (e.g. the size of the supplier, the perceived level of risk the supplier has, whether or not the supplier is part of group etc).

Under the supply licence, suppliers may seek to recover some of the financing costs that they have faced in acting as a SoLR through the levy. Interest on working capital used to finance the reasonably incurred costs of supplying SoLR customers may be included in a SoLR levy claim, provided those costs cannot be recovered through customer charges and are consistent with commitments made by the SoLR during the bidding process.

EDF has submitted a negative claim for working capital, using part of an administrator recovery to offset working capital costs.

After reviewing EDF's submission, we are minded to reject this calculation for this claim category as we have determined it is not consistent with our criteria and the commitments made by the SoLR at the bidding stage. EDF committed to honour a portion of customer credit balances rather than seeking recovery through the levy arrangements. As that portion was agreed to be borne by EDF, we do not consider that working capital costs associated with financing those amounts to be recoverable through the levy. We instead are minded to include the full recovery amount (without any deduction for working capital) in the credit balance category of this claim as noted in the "credit balances" cost category section above. As a result, the overall approved working capital amounts for the Zog SoLR remain unchanged.

Cost category: "Other costs"

We understand that other costs may have been incurred when undertaking activities as part of becoming a SoLR (for example, legal fees). We have used the criteria set out in our published decision on the last resort levy claims True-up process[9] to assess whether it is appropriate for these costs to be recovered through a LRSP. The other costs that EDF has claimed are detailed below alongside our minded-to position.

Decision:

EDF's final True-up Claim includes **£1,688.00** for other costs associated with acting as a SoLR for former customers of Zog.

[9] https://www.ofgem.gov.uk/publications/decision-last-resort-levy-claims-true-process

We consider that the claimed amount is not consistent with our criteria, and we are minded to refuse consent for the claim.

Table 5: Summary of final True-up Claim and minded-to position for "other costs"

Item	Cost	Initial and Subsequent Claims Previously Approved	Final True-up Claim Submitted	Deductions	Minded-to position on Final True-up Claim
4	Other Costs	£209,087.12	£1,688.00	£1,688.00	£0

Rationale for decision:

The **£1,688.00** claim for legal costs under the "other costs" category was submitted as part of EDF's final True-up Claim for Zog.

The costs incurred in dealing with these legal issues relating to EDF's SoLR role should be additional to those that it would have faced in the course of its normal retail operations, and not recoverable in any other way. In the process of our assessment, we considered whether these are clear and evidenced costs that EDF would not have otherwise incurred.

While EDF has sought consent for these costs, at this stage, we are not satisfied that the evidence provided confirms that this part of the claim meets our criteria that the costs incurred must be additional.

Therefore, we are minded to refuse consent for the "other costs" portion of EDF's claim.

Recovery of excess

The final directions will set out the amounts to be returned or adjusted through the relevant levy arrangements, including the repayment associated with recoveries from the Zog administration. Final directions will be published detailing the final amounts, including interest, that shall be returned to consumers via the network operators in proportion to the total number of nationwide gas supply points.

Minded-to position on termination of the True-up Agreement

Although our minded-to position indicates that EDF will repay a net amount to the levy, we are minded to treat EDF's submission for Zog as a Valid Final Levy Claim for the purposes of the True-up Agreement.

The decision letter for this final valid claim would therefore be considered the Notice of Termination as set out under clause 2.2(c) of the True-up Agreement. Termination of the True-up Agreement would be conditional on any subsequently identified recovery from the liquidation of Zog being returned to consumers via the levy process.

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 4 September 2026**. Responses should be emailed[10] to 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 EDF's claim. We expect to make our final decision in September 2026.

Yours faithfully,

Elaine Hutcheson
Deputy Director, Financial Resilience and Controls

[10] Although we prefer responses in electronic format, responses can be posted to the address below.