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

Email: solrlevyteam@ofgem.gov.uk
25 September 2026

Last Resort Supply Payment Claim from British Gas Trading Limited

On 3 June 2026, 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 Rebel Energy Supply Ltd ("Rebel Energy").

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 an LRSP from each Relevant Gas Transporter and Relevant Electricity Distributor. 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 £7,016,925.65.**

We are minded to consent to British Gas making a claim for costs incurred in complying with a Last Resort Supply Direction[1] relating to:

- protecting the credit balances owed to former customers of Rebel Energy; and
- Other Costs associated with implementing and maintaining a Transitional Services Agreement (TSA) with the Administrator.

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 the 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 treat this claim as an Initial Levy Claim and require British Gas to sign a deed of undertaking as a condition of consenting to the claim outlined below. This would mean that subsequent claims and the final True-up claim would be submitted in future years. This will enable British Gas to submit additional LRSP claims with supporting evidence for costs that have not yet been approved by Ofgem. The obligations under the True-up Agreement will continue to apply until a final True-up claim has been submitted and finalised.

[1] Direction-to-British-Gas-Trading-Limited-gas.pdf; Direction-to-British-Gas-Trading-Limited-elec_0.pdf

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 October 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[2].

Failed Supplier event

On 6 April 2025, we appointed British Gas as the SoLR[3] for Rebel gas[4] and electricity[5] 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 on 8 May 2025[6].

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 a portion of credit balances and certain other costs.

Summary of our minded-to decision

Based on the information available and consideration of the circumstances relating to British Gas' LRSP claim for customers of the former Rebel Energy, Ofgem is minded to consent to British Gas claiming a LRSP of up to **£7,016,925.65**.

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[2] 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).
[3] Ofgem protects customers of Rebel Energy | Ofgem
[4] Direction-to-British-Gas-Trading-Limited-gas.pdf
[5] Direction-to-British-Gas-Trading-Limited-elec_0.pdf
[6] Appointment of British Gas Trading Limited as Supplier of Last Resort - decision_0.pdf

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 claims and minded-to position on latest claim.

Item	Cost	Initial Levy Claim Submitted	Minded-to position on Initial Levy Claim
1	Credit Balances	£6,283,539.65	£6,283,539.65
2	Other Costs	£733,386.00	£733,386.00
	Total	£7,016,925.65	£7,016,925.65

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 £6,283,539.65 for credit balances repaid to date to customers of Rebel Energy.

We consider that the claimed amount is consistent with the definition of Customer Credit Balances in SLC 9.4(b) and we are 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 Levy Claim Submitted	Minded-to position on Initial Levy Claim
1	Credit Balances	£6,283,539.65	£6,283,539.65

Rationale for decision

Our published guidance sets out that we may in certain circumstances consider it appropriate to approve a claim associated with costs incurred in repaying credit balances to customers who had a positive credit balance with a failed supplier.

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 provided evidence as part of its claim demonstrating instances where credit balances have been refunded to customers of Rebel Energy who are now supplied by British Gas (live accounts) and cheques that have been cashed by former customers of Rebel Energy (closed accounts).

As a result, we are minded to consent to the credit balance component of this claim as submitted.

Cost category: Other Costs

We understand that other costs may have been incurred when undertaking activities as part of becoming a SoLR (for example, migration costs). We have used the criteria set out in our published decision on the last resort levy claims true-up process[7] to assess whether it is appropriate for these costs to be recovered through a LRSP. The other costs that British Gas has claimed are detailed below alongside our minded-to position.

Decision:

British Gas' claim includes **£733,386.00** for "Administrator Costs" associated with acting as a SoLR for former customers of Rebel Energy.

We consider that the evidence submitted demonstrates that the claimed amount is consistent with our criteria and we are minded to grant consent to the Other Costs portion of the claim without deductions.

Table 3: Summary of claim for Other Costs

Item	Cost	Initial Levy Claim Submitted	Minded-to position on Initial Levy Claim
2	Other Costs	£733,386.00	£733,386.00

Rationale for decision:

British Gas has requested our consent to claim **£733,386.00** for "Administrator Costs" to implement and maintain a Transitional Services Agreement (TSA). We consider that British Gas has provided sufficient evidence, including the relevant agreement document, invoices and an explanatory narrative to support its claim and satisfy us that these costs were additional, directly incurred as part of the SoLR role, otherwise unrecoverable, unavoidable and efficient in relation to British Gas' role as a SoLR for Rebel Energy. We are therefore minded to consent to the Other Costs claim component as submitted.

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 9 October 2026**. Responses should be emailed[8] 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

[7] Decision on last resort levy claims true-up process | Ofgem
[8] Although we prefer responses in electronic format, responses can be posted to the address below.

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 October 2026**.

Yours faithfully,

Elaine Hutcheson
Deputy Director, Financial Resilience and Controls

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