

**DIRECTION ISSUED TO:**

**Cadent Gas Ltd  
Northern Gas Networks Ltd  
Scotland Gas Networks PLC  
Southern Gas Networks PLC  
Wales & West Utilities Ltd**

**TREATMENT OF COSTS IN RESPECT OF CO-OPERATIVE ENERGY LIMITED'S LAST RESORT SUPPLY PAYMENT CLAIM AS MISCELLANEOUS PASS-THROUGH UNDER SPECIAL CONDITION 1C OF THE GAS TRANSPORTER LICENCE**

**WHEREAS:**

1. Each of the companies to whom this Direction is addressed (each a "Licensee") holds a Gas Transporter licence granted, or treated as granted by the Gas and Electricity Markets Authority (the "Authority") under section 7 of the Gas Act 1986 ("the Act").
2. The Authority appointed Co-Operative Energy Limited ("CEL") as a Supplier of Last Resort with effect from 30 November 2016 to the customers of GB Energy Supply Limited after the latter ceased trading<sup>1</sup>.
3. Standard Condition 9 (Claims for Last Resort Supply Payment) of the Gas and Electricity Supply Licences provides that a Supplier of Last Resort may make a claim for a Last Resort Supply Payment to compensate for additional costs it has incurred in complying with a Last Resort Supply Direction, from relevant gas transporters and electricity distributors, where the Authority has given its consent to the amount claimed.
4. On 13 November 2017, CEL submitted notice of its intention to claim for a Last Resort Supply Payment ("CEL LRSP Claim"), which GEMA approved in part on 19 January 2018<sup>2</sup>. On 25 January 2018, CEL submitted its claim to the Licensees.
5. The Licensees are required by paragraph 4 of Standard Special Condition A48 (Last Resort Supply: Payment Claims) of their Gas Transporter Licences to increase their transportation charges from 1 April 2018 to such an extent as they reasonably estimate to be appropriate to secure that such consequential increase in their revenue equals the specified amount.
6. Paragraph 10 of Standard Special Condition A48 provides that "in calculating the licensee's transportation revenue during any period for the purposes of a price control condition any increase or decrease in revenue attributable to the licensee's compliance with this condition shall be treated as if it had not occurred".
7. In order to provide transparency over the recovery of the LRSP claim, we have decided to direct the recovery through the Miscellaneous Pass-through ("MPt") term of the licence. Special Condition 1C (Distribution Network allowed pass-through items) of the licence contains a MPt term, which allows for pass-through of

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<sup>1</sup> <https://www.ofgem.gov.uk/publications-and-updates/direction-appoint-cooperative-energy-gas-supplier-last-resort>

<https://www.ofgem.gov.uk/publications-and-updates/direction-appoint-cooperative-energy-electricity-supplier-last-resort>

<sup>2</sup> <https://www.ofgem.gov.uk/publications-and-updates/last-resort-supplier-payment-claim-co-operative-energy-final-decision>

miscellaneous items as directed by the Authority. We consider the use of MPt term to be appropriate in reconciling amounts relating to the CEL LRSP Claim in the Licensees' price control and in achieving the aims in paragraph 10 of Standard Special Condition A48.

8. In accordance with Special Condition 1C, the Authority directs the following values to be recovered through the MPt term for the formula year 2018/19 in respect of the CEL LRSP Claim. The following are the CEL LRSP Claim amounts for each of the Licensees' distribution networks:

<b>Licensees</b>	<b>MPt amounts for 2018/19</b>
Northern Gas Networks Limited	£ 787,796.05
Wales & West Utilities	£ 724,306.91
Scotland Gas Networks PLC	£ 522,985.71
Southern Gas Networks PLC	£ 1,178,110.69
Cadent	£ 2,547,437.33
Of which:	
Cadent East of England	£ 1,197,160.31
Cadent London	£ 586,001.76
Cadent North West	£ 764,275.26
Cadent West Midlands	£ 557,265.31

9. Whilst Cadent is a licensee with a single MPt term, CEL has submitted separate claims to each of the four distribution networks under the Cadent licence. For reporting purposes, each of these claims are to be recorded in the Revenue Reporting templates.
10. This direction constitutes notice for the reasons for this decision as required by section 38A of the Act.

**NOW THEREFORE**

The Authority hereby directs the above values in respect of the CEL LRSP claim, to be recovered through the MPt term in Special Condition 1C, for the formula year 2018/2019.

This direction will be effective from 01 April 2018.

Signed



**Geoffrey Randall**  
**Associate Partner, RIIO Networks**

Authorised for and on behalf of the Gas and Electricity Markets Authority

Dated: 27 March 2018