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Dear Lesley

### **Consultation on proposed modifications to SoLR supply licence conditions**

Thank you for the opportunity to provide views on the potential licence change in relation to Supplier of Last Resort (SoLR) arrangements.

Whilst we are supportive of the intent of these proposals and the draft licence changes appear to deliver this intent (we will leave it to supply licence holders to review the detailed drafting), we are concerned that the consultation does not address the mechanics of recovery through distribution licence holders. The current mechanisms do not work as was highlighted in the Cooperative Energy claim.

Whilst the detailed methodology changes of any decision by Ofgem may be implemented through appropriate network charging groups, the policy must be set by Ofgem. The key principle is that payments to SoLRs should be aligned to DNOs ability to recover charges. If DNOs can only increase charges with 15 months' notice, then supplier payments must follow the same timescales. It is also important that these costs are recovered from all customers, whether they are on a DNO or IDNO network. In the Cooperative Energy Case, the pragmatic decision was to recover from domestic customers through fixed charges. This is a policy decision and we are disappointed that the consultation did not cover these aspects as well.

We would urge Ofgem to consult on such aspects in the near future together with the associated changes to distribution licences. These changes would also need to incorporate a mechanism for the recovery of bad debt held in respect of outstanding UoS charges owed by the insolvent supplier, for which DNOs currently have no recovery mechanism within the licence but instead act in reliance upon a policy commitment from Ofgem. It would then be possible to bring forwards changes to the charging arrangements as required.

Once policy is set, Ofgem could issue an open letter laying out the agreed policy for companies to work from, as it may be worthwhile delaying formal changes to the charging mechanisms whilst the charging reviews are underway. Ofgem could then allow DNOs to deviate from the charging methodologies to implement the agreed policy in the event that these SoLR mechanisms are invoked.

I hope these comments are helpful. Please do not hesitate to contact me or Chris Barker ([chris.barker@enwl.co.uk](mailto:chris.barker@enwl.co.uk)) if you would like to follow up on any particular aspect of our response.

Yours sincerely

 SENT BY EMAIL  
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