



Statutory consultation on modifications to Supplier of Last Resort (SoLR) supply licence conditions

1. We welcome the opportunity to comment on Ofgem's proposed modifications to the licence conditions that underpin the SoLR arrangements.
2. We note that in the period since our response to the Consultation dated 11 June 2018 there have been three suppliers that have ceased to trade resulting in Ofgem appointing a SoLR¹. This supports our view that in order to protect consumers confidence in the market, inconvenience and increased prices resulting from industry levies, Ofgem should prioritise their review of both the licensing arrangements for new suppliers as well as ongoing monitoring. All new entrants to the market should be able to function as a supplier and fund their regulatory obligations.
3. Ofgem proposes an amendment to SLC 9.3 that moves the deadline for submitting a Last Resort Supply Payment (LRSP) claim from no more than six months from the date of the Last Resort Supply Direction (LRSD) having effect, to a date notified by the Authority or five years if no date is given. A LRSP submitted so long after the SoLR event may result in an unexpected financial obligation for a supplier that is difficult to forecast or plan for; this is especially important in a market where the default tariff cap places additional financial pressure on a supplier to operate as efficiently as possible. We would therefore expect that Ofgem will provide a backstop date for a LRSP claim to be made at the time a LRSD is issued, and that this date would not be for an unreasonably long period of time.
4. While we agree with the principle that Ofgem should not be unduly constrained by a three-month timescale to either consent to, or propose an alternative figure for a LRSP claim, for the reasons outlined above in paragraph 3 we believe it is important for a supplier to be able to account for its financial obligations as early as possible. We therefore ask Ofgem to consider placing some form of obligation on itself to respond in a timescale that is reasonable in all the circumstances of the case.
5. We look forward to receiving the consultation that Ofgem intends to publish in the coming weeks outlining its reforms to the approach to market entry for new suppliers. We believe the right reforms will play an important role in minimising the risk, where practicable, of the SoLR process being invoked. The urgency of these reforms will increase as a result of the default tariff cap that is due to take effect from December 2018. We note that the Draft Impact Assessment included as part of the default tariff cap statutory consultation acknowledges² that the cap will increase the risk of suppliers exiting the market, potentially resulting in the SoLR process being invoked.

¹ July 2018 – National Gas & Power, July 2018 – Iresa, September 2018 – GEN4U

² Paragraph 4.70, Appendix 11, Ofgem Statutory Consultation – Default tariff cap, 6 September 2018