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Ofgem  
10 South Colonnade  
London  
E14 4PU

8 October 2018

Dear Lesley,

## **STATUTORY CONSULTATION ON MODIFICATIONS TO SOLR SUPPLY LICENCE CONDITIONS**

Thank you for the opportunity to respond to the above statutory consultation which seeks views on Ofgem's proposals for amendments to the Supplier of Last Resort (SoLR) arrangements.

We continue to be supportive of Ofgem's overall review of its approach to licensing suppliers including the proposed changes to the SoLR arrangements. We agree that it is appropriate for Ofgem to undertake this review to ensure that appropriate protections are in place against poor customer service and financial instability and that the review should cover the current licensing arrangements for supply market entry and exit, and ongoing operation and monitoring.

In relation to the changes proposed to the SoLR arrangements, we note Ofgem is intending proceeding with the changes set out in the June 2018 policy consultation with no amendments. In our response to that consultation we highlighted two potential areas of ambiguity or unintended consequences of the amendments, namely:

- We were concerned that Ofgem's amendments to the timings for when a SoLR direction would end and when a SoLR must submit a claim for a Last Resort Supply Payment could create a potential unintended consequence by introducing uncertainty on when a Last Resort Supply Payment claim would be allowed.

We note that Ofgem's statutory consultation sets out its expectation that claims will likely be made much earlier than the five year backstop proposed by Ofgem.

- We also thought there was some ambiguity in the licence conditions on the costs that Ofgem would consider in claims for a Last Resort Supply Payment, and how it would consider such potential claims when selecting a SoLR. In particular this related to whether Ofgem would consider costs of interest on working capital and/or other capital costs incurred reasonably by SoLRs in covering credit balances of both former and live customers of the failed supplier.

Again we note that Ofgem has clarified in the statutory consultation that it does not consider the licence conditions would preclude such claims from the industry levy, and that all claims will be considered on a case by case basis.

It is helpful that Ofgem has clarified its position in relation to these two issues in the statutory consultation (as set out above), but we remain of the view that the licence conditions could be drafted more clearly to avoid potential ambiguity and/or unintended consequences. We think this is particularly important for new entrants to the market who may not be as familiar with the original consultation process as suppliers currently in the market.

Should you wish to discuss further or have any questions please contact me via the details provided or contact Rhona Peat ([rhona.peat@scottishpower.com](mailto:rhona.peat@scottishpower.com)).

Yours sincerely



**Richard Sweet**  
Head of Regulatory Policy