

Philippa Pickford  
Consumers and Markets  
Ofgem  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

11 January 2019

Dear Philippa,

**LAST RESORT SUPPLIER PAYMENT CLAIM FROM OCTOPUS ENERGY LIMITED**

Thank you for the opportunity to make representations on Ofgem's minded to position in relation to Octopus Energy's (Octopus) claim for a Last Resort Supply Payment in relation to its role as Supplier of Last Resort (SoLR) to customers of the former Iresa Limited (Iresa).

Ofgem's letter of 14 December sets out the four claims that Octopus has made in relation to use of the industry levy, with Ofgem minded to consent to all of them. For the reasons set out in Annex 1, we agree with Ofgem's position to consent to all claims in this particular case.

In relation to transitional IT, operations and communications costs, we have expected historically that a SoLR would factor into its bid the costs associated with transitioning customers from the failed supplier's systems to its own systems, and therefore that in most cases there would be no claim from the industry levy for such costs.

We note however that in this case, the poor data quality within Iresa's systems caused significant challenges for Octopus, and it may have been difficult for Octopus to factor this into their initial submission to act as SoLR. Indeed, based on our own experience of acting as SoLR in recent months, we believe that poor data quality may often be a significant challenge for SoLRs, and that the information provided by Ofgem in the initial request for information may not always be sufficient to understand the actual level of activity and additional costs that will need to be incurred. We therefore agree with Ofgem's minded to position to consent to Octopus' claim for transitional IT and operations costs in this case.

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

**LAST RESORT SUPPLIER PAYMENT CLAIM FROM OCTOPUS ENERGY –  
SCOTTISHPOWER COMMENTS**

**Item 1: Recovery of Iresa customers' credit balances (£11.5m)**

We have no representations to make in relation to Octopus' claim on the industry levy for the live credit balances of Iresa customers. As Ofgem notes, paragraph 2.27 of the SoLR Guidance mentions credit balances as one area where Ofgem would consider a claim under the industry levy to be reasonable, and we note that Octopus' claim is consistent with its submission to act as SoLR for Iresa customers.

Ofgem notes that the credit balance amount of £11.5m includes an estimated value per account on 35% of accounts, where the customers have not yet agreed the final account/credit balance position. Ofgem suggests that it is comfortable with the approach to estimation used by Octopus, and that it expects these estimates will be finalised prior to Ofgem making its decision at the end of January 2019. Ofgem also however notes that it may make the decision conditional upon future adjustments to the claim amount in relation to these estimates.

Given Ofgem appears comfortable with the estimation approach used by Octopus, we would expect that any future adjustment in relation to estimated accounts should be relatively small. In combination with adjustments for any costs recovered through the liquidation process, we would therefore expect Octopus' claim for credit balances to remain close to or lower than the £11.5m currently being consulted on.

**Item 2: Capital cost for additional working capital to fund SoLR event (£1.6m)**

We agree that it is reasonable to consent to a claim for the costs incurred by Octopus in making capital available to fund the costs associated with the SoLR event, to the extent that Ofgem has consented to the latter costs being claimed from the industry levy and in respect of the period until Octopus receives payment from the levy.

We cannot comment on the validity of the methodology, but note that Ofgem states that it is minded to agree that the methodology used by Octopus is appropriate.

**Items 3 and 4: Transitional IT and Operations costs (£592k) and Transitional Communications costs (£73k)**

We have expected historically that a SoLR would factor into its bid the costs associated with transitioning customers from the failed supplier's systems to its own systems, and therefore that in most cases there would not be any claim made from the industry levy for such costs. We note however that in this case, the data quality within Iresa's systems caused significant challenges for Octopus, and therefore was difficult to factor into the initial submission to act as SoLR. We therefore agree with Ofgem's minded to position to consent to Octopus' claim for transitional IT and operations costs in this case, as the additional costs were incurred to ensure as smooth and timely as transition for customers to the new supplier as possible.

Indeed, based on our own experience of acting as a SoLR in recent months, we believe that data quality can be a significant challenge for SoLRs, and that in many cases the

information provided by Ofgem in the initial request for information may not be sufficient to understand the actual level of activity needed and indeed additional costs incurred.

ScottishPower  
January 2019