

**SGN Response – submitted as an e-mail**

Dear Sir/Madam,

Please find detailed below SGN's comments on Ofgem Consultation - Electricity Distribution licence changes re SoLR.

SGN support the proposed changes in resolving the issues in relation to the current Supplier of Last resort (SoLR) process for the Electricity sector.

In light of the recent increase in Supplier failures, we would like to draw your attention to the disparity between the Electricity and Gas industries with the latter being significantly simpler and the consequential risks to Shippers and ultimately Gas Transporters when a Supplier fails.

With the current level of ease of entry into the Supplier marketplace which we hope will be addressed in the "Supplier Licence Review" issued on the 21st November, there is further pressure placed on the Shipper community with the current heightened risk of Supplier failure this can place the Shipper associated to the Supplier at risk of failure. A proportion of the risk in relation to Supplier failure impact to Shippers is negated via the SoLR process in place however in the event of multiple Supplier failures or single Supplier to Shipper the risk of failure increases significantly.

In the event of a Shipper failure this is not the case for Transporters whom are reliant on the reduced Credit Security in place under UNC. Whilst we support facilitating competition in the Shipper community, as a Gas Transporter this places a significant risk to our business and although there are processes in place (MPt and the Supplier Licence Condition 18) there is an ultimate cost to the customer of each Supplier/Shipper failure. We would hope that existing arrangements, including the current levels of Credit Security could be reviewed/address as part of the "Supplier Licence Review".

Kind regards,  
Sally Hardman  
Regulatory Process Manager