

The Office of Gas and Electricity Markets,
Commonwealth House,
32 Albion Street,
Glasgow,
G1 1LH

10th January 2020

FAO Philippa Pickford, Director, Future Retail Markets, Consumers and Markets

Last Resort Supply Payment claim from Shell Energy Retail Limited

Dear Ms Pickford,

SmartestEnergy welcomes the opportunity to respond to Ofgem's consultation on the Last Resort Supply Payment claim from Shell Energy Retail Limited in respect of First Utility's appointment as Supplier of Last Resort (SoLR) following the failure of Usio Energy.

SmartestEnergy is an aggregator of embedded generation in the wholesale market, an aggregator of demand and frequency services, a supplier in the electricity retail market, serving large corporate and group organisations, and a wholesale market access provider for independent suppliers.

Please note that our response is not confidential.

We feel it is difficult to give a response to this consultation for the following reasons:

We note the following sentence in Ofgem's original press release announcing the appointment of First Utility (now Shell) as the Supplier of Last Resort for the former customers of Usio Energy: *"First Utility will honour all outstanding credit balances, including money owed to both existing customers and former customers of Usio Energy."*

Whilst we appreciate that Shell Energy indicated at the time of the SoLR appointment that it would not waive its right to make a claim and would claim for the recovery of a "percentage of credit balances," the headline in the press release was misleading and the precise percentage or absolute contribution was not declared (or at least not in the public domain) at the time.

If Ofgem have information on what the "percentage of credit balances" (or the SoLR's contribution to the credit balances pot) is going to be they should make it clear that they have this information. If they do not, they should push for greater certainty when selecting the SoLR.

The consultation document states that as part of their methodology Ofgem will ensure that costs are “in line with commitments made at the time of the SoLR appointment.” However, Ofgem have not been transparent about these commitments, nor those from other alternative offers from suppliers, either at the time or now, which makes it challenging for respondents to the current consultation to comment on whether the claim is reasonable or even to take a view on whether, with hindsight, the correct SoLR was selected.

We also note that in the 'Notes for editors' section of the original appointment announcement it states that the cost of Ofgem funding the remaining bill for protecting customers' credit balances is funded by a “levy spread across domestic suppliers.” Whilst we understand that journalists will not be interested in the details of the way in which an SoLR may make a claim for an LSRP from the distribution networks as per Supply Licence Condition 9, the wording does somewhat mask the fact that ultimately it is customers who end up paying.

In summary, therefore, we feel that Ofgem should be more transparent in future on what SoLRs are actually promising when it is claimed that they will “honour credit balances” since it is not the Supplier of Last Resort who is guaranteeing the credit balances, but Ofgem who operate the safety net funded by customers at large.

Should you have any questions on this matter do not hesitate to contact me.

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