

Rob Salter-Church
Partner, Consumers and Competition
Ofgem
9 Millbank
LONDON
SW1P 3GE

14 December 2017

By electronic copy only to supplier@ofgem.gov.uk

Dear Rob

Re.: Last Resort Supplier Payment Claim from Co-operative Energy

Thank you for the opportunity to comment on the above consultation, our response should be treated as consolidated on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc.

We are supportive of Ofgem's intentions but we would like to make the following points relating to the immediate practicalities of collecting the levy as well as improving the process for the longer term:

The distribution licence states simply that DNOs should increase their Use of System Charges for the specified year to collect the additional revenue, but gives no indication as to the exact method to be used. As a consequence DNOs could end up taking very different approaches from each other resulting in confusion and a lack of clarity for our stakeholders. We believe that a specific method of collection needs to be agreed in order to ensure a consistent, transparent and practical approach is taken. For the immediate issue of collecting Co-operative Energy's claim our preference would be to collect the levy by applying an additional amount to our daily fixed charge for all domestic customers. This has the advantage of predictability, transparency and a broad coverage across the customer base. It also presents a practical approach to increasing Use of System Charges (that have been published for 12 months) in the short time available. As you may know there have already been discussions among the DNOs regarding this approach which have highlighted a number of derogations that we will require Ofgem to grant in order that we can collect the levy whilst still meeting our licence obligations.

We support your intention to review and improve the current SOLR arrangements. We believe that improvements to the process are possible that would benefit all those involved. We also see this as an opportunity to resolve the issue of how to deal with bad debt resulting from a supplier failure, including those that have resulted from the GB Energy collapse. There were arrangements in place for DPCR5 for but they were removed from the licence at the start of ED1 but were not replaced. We look forward to working with you on these changes in 2018.

If you have any queries please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James Hope', with a stylized flourish extending to the right.

James Hope
Head of Regulation & Regulatory Finance
UK Power Networks