The Office of Gas and Electricity Markets
10 South Colonnade
Canary Wharf
London
E14 4PU

11th July 2018

Dear Lesley,

Proposed modifications to SoLR supply licence conditions

Thank you for the aforementioned consultation published on the 13th June 2018, npower welcomes the opportunity to offer its opinion and views on the proposals presented.

Whilst we are generally supportive of the changes that are being proposed to the Supplier of Last Resort (SoLR) framework we believe that there is merit in investigating alternate processes that are available to you in terms of standard financial administration processes. This could include the use of a special administrator.

Within the market place we currently have a two dimensional pricing in terms of default price and the implementation costs. This will divide participants to form a frontier from which a SoLR participant will be selected however, we believe it would be useful for Ofgem provide a transparent response in terms of providing the criterion as to how they select the SoLR.

The current SoLR framework that is in place could place participants at financial risk due to an increase in both electricity and gas distribution costs. If consideration is not given to the wider financial impacts on the market are not considered we could see a dominoe effect where suppliers who are in a weaker financial position are adversely impacted.

In summary we believe that alternative methods should be utilised to better support the market place and not be a barrier or cause to effective competition

I trust this response meets your approval and I am available to discuss at your convenience if needed on the details shown below.

Yours Sincerely,

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Annexe A

1. **Do you agree with the intent of the proposed changes?**

In general we are supportive of the proposed changes however, we recognise the SoLR framework does place suppliers who are (or maybe) already under financial strain under additional financial risk.

The recovery of costs associated with the SoLR event has been raised previously by npower in correespondance, in that these costs are ultimately picked up by other suppliers through (Gas and Electricity) distribution charges and therefore impacts suppliers other than the SoLR, the phasing of which has previously been challenged. The intent seems to allow the appointed supplier to make a, increased claim inclusive of the cost of taking on the customers, ie. allowing closed account credits to be reclaimed too.

In regards to moving away from the current 6 month window it is not clear what is meant by normal administration process. The licence drafting states that there is a five year backstop however, we would welcome more clarity and certainty around costs with a shorter lead time regarding recovery of SoLR costs by the appointed supplier.

The changes that you set out in respect of removing the text around Distribution Services area increases fairness and removes any perceived advantages/disadvantages in respect of geographical location.

2. **Do you agree that the draft licence changes deliver the intent?**

We agree with the drafting changes and that these deliver the intent.

3. **Do you consider there are any potential unintended consequences of the proposed changes that we have not identified?**

There needs to be some care in ensuring market security and avoiding a scenario whereby we see a dominoe effect of other financially weaker suppliers viewing the SoLR process as an attractive acquisition route. This could have additional adverse impacts on the market place and financially streach suppliers who are in a an already weaker financial position.

4. **Do you have any comments on the proposed licence drafting, set out in Annex 1?**

Annex 1 makes reference to domestic customers of the failed supplier but nowhere else in the draft condition or the letter is a distinction made between domestic & non-domestic supply. I think that there would be benefit in clarification of the draft changes and the license condition with regards to domestic Vs microbusiness customers.

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