



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

Issued via email

8th October 2018

Dear Lesley,

Statutory consultation on modifications to SoLR supply licence conditions

Thank you for the aforementioned letter published on the 7th September 2018, npower welcomes the opportunity to offer its opinion and views on the proposals presented.

We are not supportive of the changes that you have proposed within your modifications to the SoLR licence conditions. We believe that additional consideration needs to be given in respect of credit balances for customers irrespective of if they remain with the SoLR or not. Aside from any legality we believe that there is greater merit in compensating customers who wish to move from a defaulting supplier. Currently they are locked in if they believe that their supplier may default, as they lose the protection if they switch. This is clearly not in the interest of any consumers. If there is to be any mutualisation scheme then these customers should be prioritised, for example by rebating 100% of defaults to them and a lesser amount (say 50%) to others.

We believe that the proposals that you are intending to make in terms of allowing the claim window for LRSP need justification as to why they will remain open for 5 year period. We believe that this will heighten the level of uncertainty and this in turn will increase the level of financial risk. If consideration is not given to the wider financial impacts on the market are not considered we could see a domino effect where suppliers who are in a weaker financial position are adversely impacted.

In respect if the methodology you are proposing in relation to calculating how costs will be re-attributed across the industry we remain concerned that this will re-open the Distribution Use of System (DUoS) tariffs in order to levy the SoLR charge. This principle you are setting appears to override the rules in place which provide suppliers 15 months' notice for DUoS tariffs. We would ask for future clarity on this in respect of the impact that this will have on suppliers.

During a previous investigation leading to a suppliers insolvency we believe that the supplier took money from their customer base that was not owed. We believe that it was not appropriate for supplier to be allowed to take this action. This creates a level of distortion in terms of the overall credit balance position with the supplier.

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We recognise that you intend to consult on the current arrangements for new market entrants we recognise that following recent SoLR events that this need strengthened in terms of new participant oversight to ensure that their overall business model remains stable and sustainable, and reporting to make sure behaviours are not detrimental to customers. It is imperative that there is regulatory oversight on new entrants to reduce the risk of defaulting suppliers which leads to poor customer experience and additional financial stress to other market participants.

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. We believe that there is a need for strengthened process in respect of new suppliers entering the market to reduce the financial impact on other suppliers and preserve customer competition and experience. There will also be a need for Ofgem to revisit the principles around the levy in respect of DUoS charges being claimed as well as reviewing the flexibility to ensure this optimises both flexibility and stability for the market place.

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,

A handwritten signature in black ink, appearing to read "Matt Keen".

Matthew Keen
Regulation Lead
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