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11th December 2018

Dear Grant Mceachran,

Informal consultation on modification to the Electricity Distribution Licence to recover the costs associated with appointing a Supplier of Last Resort

I am writing on behalf of ESP Utilities Group (“ESPUG”) (comprising the licenced companies ES Pipelines Ltd, ESP Connections Ltd, ESP Networks Ltd, ESP Pipelines Ltd and ESP Electricity Ltd). We welcome the opportunity to respond to Ofgem’s “Informal consultation on modification to the Electricity Distribution Licence to recover the costs associated with appointing a Supplier of Last Resort” (letter, 20th November 2018).

Overall, ESPUG supports Ofgem’s proposed changes to the license that facilitate debt recovery described in the informal consultation document with the introduction of BA5 Valid Bad Debt Claims. This is for three main reasons:

Firstly, the proposal reduces the current and unacceptable level of bad debt arising from failing suppliers that IDNOs are exposed to. This is particularly important for our financial planning and is of special concern if a medium or large supplier went out of business leading to the appointment of a Supplier of Last Resort.

Secondly, as a principle guiding the change, we agree that IDNOs should be treated on an equivalent basis to the DNOs with respect to Bad Debt. This is because it is a fundamental condition for opening up the connections market to competition on a level playing field. We see no reason why DNOs should receive any more advantageous arrangements than IDNOs or be exposed to any lower risk regarding supplier failure.

Finally we think the legal text broadly reflects the policy intent. We have provided some comments on the draft text. These are attached in the annex to this response.

We note that critical to the success of the proposal will be the actual administration of the license condition itself. Though not mandated in the legal text, it makes sense to place the governance of the licence change through DCUSA. We believe it would clearly support transparency and ensure consistent application between parties. We trust this will happen as part of the implementation of the new arrangements.

If you wish to discuss any of the issues raised in our response or have any queries, please feel free to contact me on 01372 587500.

I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Seb Eyre', with a large, stylized 'S' at the beginning.

Sebastian Eyre
ESP Utilities Group

Annex Comment on Legal text

1. Condition 38 refers to interest being payable, but doesn't specify the percentage rate or could be contained elsewhere. It would be useful to reference this in the text.
2. Appendix 1 of Condition BA5 contains a table setting out how the value of recoverable bad debt depreciates if a notice is not provided for up to and over a period of 65 working days.

Generally, there doesn't appear to be any provision for unpaid debt which arose before the date the supplier went into administration. From a practical perspective, businesses such as energy suppliers do not simply run out of money overnight, and will be aware of the problems for some time in advance. As such, they are likely to prioritise payments to those parties which could have an impact on their day-to-day operations.

3. 35B.1 (b) second line delete "of".