

## Last Resort Supply Payment – February 2019 Update

On 24 January 2019, Ofgem<sup>1</sup> decided to allow Octopus Energy to recover the costs of protecting the credit balances owed by Iresa Limited (Iresa) to the customers Octopus acquired in line with commitments given at the time of appointment, and certain other costs incurred by Octopus in complying with Ofgem’s Last Resort Supply Direction. The total amount of this claim was £13.8m, with the share attributable to Electricity North West Limited totalling £579,475.70.

Under the standard conditions of the electricity distribution licence (condition 38), a distributor receiving a valid claim for a last resort supply payment must increase its UoS charges in the Relevant Regulatory Year (as defined in SLC38), being the next regulatory year if the claim is received more than 60 days prior to the start of that year. As Electricity North West Limited received a valid claim more than 60 days prior to the start of 2019/20, UoS charges must be increased in 2019/20 to recover the amount of the valid claim.

Ofgem has directed that the 15 months’ notice required of a change to UoS charges for 2019/20 need not apply in this case<sup>2</sup>, and that we are allowed to alter our charges using a non-approved methodology. We have selected a charging methodology that will ensure our approach is consistent with other Distribution Network Operators and disruption to industry arrangements is minimised as much as possible.

We will recover the cost of the valid claim by increasing the fixed charges of Domestic Unrestricted, Domestic Two Rate and LV Network Domestic customers. The increase in fixed charges for these tariffs has been calculated as follows, rounded up to two decimal places:

$$\text{Supplementary Fixed Charge (p/MPAN/day)} = \left( \frac{(A/B)}{C} \right) \times 100$$

Where:

A = Amount to be recovered, being £579,475.70

B = Total combined forecast (from published CDCM model for 2019/20) domestic unrestricted, domestic two rate and LV network domestic customers, being 2,205,797

C = Days in the year, being 365

The resulting 0.08p/MPAN/day increase in fixed charge for the aforementioned customers has been applied in our Charging Statement, and hence the tariffs published in this statement do not mirror either those originally published in December 2017, nor those in the published CDCM model for 2019/20. All other tariffs remain unaltered from the original December 2017 publication.

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<sup>1</sup> The Ofgem document can be found at:

[www.ofgem.gov.uk/system/files/docs/2019/01/octopus\\_last\\_resort\\_supply\\_payment\\_claim\\_-\\_final\\_decison.pdf](http://www.ofgem.gov.uk/system/files/docs/2019/01/octopus_last_resort_supply_payment_claim_-_final_decison.pdf)

<sup>2</sup> See: [www.ofgem.gov.uk/publications-and-updates/decision-grant-all-dnos-derogations-charging-years-201920-and-202021-due-last-resort-supply-payment-claim](http://www.ofgem.gov.uk/publications-and-updates/decision-grant-all-dnos-derogations-charging-years-201920-and-202021-due-last-resort-supply-payment-claim)