

Obligation to prepare and publish statements in accordance with paragraph nine of standard condition 38 'Treatment of payment claims for last-resort supply' ('SLC38') of the Electricity Distribution Licence ('the licence').

This statement shows the latest cumulative position relating to valid Supplier of Last Resort Payment claims (Valid Claims) under Standard Licence Condition 38 (SLC38).

Supplier of Last Resort Payment Claim recovered in 2018-19

On 29 November 2016, Ofgem appointed Co-operative Energy Limited (CEL) as the supplier of last resort (SoLR) to the gas and electricity customers of GB Energy Supply Limited (GBES) following GBES's failure.

CEL (the Claimant, as defined in SLC38) submitted a last resort supply payment (LRSP) claim to recover costs it incurred as a result of its appointment as SoLR. On 19 January 2018 Ofgem decided that CEL was allowed to make claims (a Valid Claim, as defined in SLC38) totalling £14.0m¹, of which £7.7m² was to be recovered through use of system charges levied by distribution network operators (DNOs), with the share attributable to Electricity North West Limited totalling £620,480.33.

As a result, DNOs increased 2018/19 (the Relevant Regulatory Year, as defined in SLC38) use of system charges to recover CEL's Valid Claim in line with the methodology set out in a joint DNO request for directions³ in February 2018. On 6 February 2018 Ofgem provided the necessary derogations⁴ to allow ENWL to recover the Valid Claim, via a supplementary increase of 0.08 pence per day to the domestic unrestricted, domestic two rate and LV network domestic tariffs.

Supplier of Last Resort Payment Claim recovered in 2019-20

On 24 January 2019, Ofgem decided to allow Octopus Energy to recover the costs of protecting the credit balances owed by Iresa Limited 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 Direction⁵. The total amount of this claim was £13.8m, with the share attributable to Electricity North West Limited totalling £579,475.70.

As a result, DNOs increased 2019/20 (the Relevant Regulatory Year, as defined in SLC38) use of system charges to recover this Valid Claim amount. On 6 February 2018 Ofgem provided the necessary derogations⁶ to allow ENWL to recover the Valid Claim, via a supplementary increase of 0.08 pence per day to the domestic unrestricted, domestic two rate and LV network domestic tariffs.

¹ https://www.ofgem.gov.uk/system/files/docs/2018/01/last_resort_supply_payment_claim_from_co-operative_energy_final_decision.pdf

² https://www.ofgem.gov.uk/system/files/docs/2018/01/consent_to_cooperative_energys_claim_for_a_last_resort_supply_payment_under_its_electricity_supply_licence.pdf

³ <https://www.enwl.co.uk/globalassets/about-us/regulatory-information/documents/historical-charges/last-resort-supply-payment-update.pdf>

⁴ https://www.ofgem.gov.uk/system/files/docs/2018/02/coop_solr_derogation_letter_0.pdf

⁵ www.ofgem.gov.uk/system/files/docs/2019/01/octopus_last_resort_supply_payment_claim_-_final_decision.pdf

⁶ www.ofgem.gov.uk/publications-and-updates/decision-grant-all-dnos-derogations-charging-years-201920-and-2021-due-last-resort-supply-payment-claim

The Supplier of Last Resort Payment Claims statement

Paragraph nine of SLC38 sets out further obligations on DNOs to prepare and publish a statement in respect of each regulatory year in which it increases or decreases its use of system charges as a result of having received a Valid Claim. Within the first four months of the regulatory year following that to which it relates, DNOs must publish a statement showing:

- the revenue derived as a result of a change in use of system charges in that year to recover a Valid Claim; and
- the total payments made to each Claimant in that regulatory year.

Please see the below statement to satisfy these obligations.

	2018-19	2019-20
1. Revenue recovered from the consequential increase in Use of System charges	£639,688.31 ⁷	£642,619.02 ⁸
2. Last Resort Supply Payments made in response to a Valid Claim to the Claimant	£620,480.33	£579,475.70
3. Excess/ (Shortfall) use of system recovery	£19,208	£63,143

Please note that the adjustments to charges apply to settlement years (not the point at which invoices are issued), and through the settlement process there can be adjustments to settlement data even after the end of the settlement year. Consequently, the amounts above are subject to revision as settlement data is revised.

On 2 May 2019 Ofgem published its decision on modifications to the licence to recover the costs associated with appointing a SoLR⁹. These modifications, which were implemented on 28 June 2019, will result in the final excess revenue being returned via the new SoLR pass-through costs i.e. the SLR term defined in CRC2B ‘Calculation of Allowed Pass-Through Items’ (‘CRC2B’).

⁷ This is the position based on billing to date. Final calculation of revenue using settlement data is not possible as settlement data is still subject to change as settlement volumes are revised for the relevant period.

⁸ This is the position based on billing to date. Final calculation of revenue using settlement data is not possible as settlement data is still subject to change as settlement volumes are revised for the relevant period.

⁹ [https://www.ofgem.gov.uk/system/files/docs/2019/05/solr - decision document.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/05/solr_-_decision_document.pdf)