

**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').**

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 £14.0m<sup>1</sup>, of which £7.7m<sup>2</sup> was to be recovered through use of system charges levied by distribution network operators (DNOs).

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 directions<sup>3</sup> in February 2018. On 6 February 2018 Ofgem provided the necessary derogations<sup>4</sup> to allow DNOs to recover the Valid Claims, via a supplementary increase of 0.08 pence per day to the domestic unrestricted, domestic two rate and LV network domestic tariffs.

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.

1. Revenue recovered from the consequential increase in Use of System charges	£620,480.33 <sup>5</sup>
2. Last Resort Supply Payments made in response to a Valid Claim to the Claimant	£620,480.33
3. Excess/ (Shortfall) use of system recovery	£0

In accordance with paragraphs four and five of SLC38, if the amount paid to the Claimant is different to the amount of the consequential increase in use of system revenue, the licensee must vary its use of system charges in the year following the Relevant Regulatory Year to recover/return the difference plus 12 months' interest on that amount. In the event of a shortfall the licensee must also pay the Claimant the amount plus 12 months' interest on that amount.

However, on 2 May 2019 Ofgem published its decision on modifications to the licence to recover the costs associated with appointing a SoLR<sup>6</sup>. These modifications, which will be 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').

<sup>1</sup> [https://www.ofgem.gov.uk/system/files/docs/2018/01/last\\_resort\\_supply\\_payment\\_claim\\_from\\_co-operative\\_energy\\_final\\_decision.pdf](https://www.ofgem.gov.uk/system/files/docs/2018/01/last_resort_supply_payment_claim_from_co-operative_energy_final_decision.pdf)

<sup>2</sup> [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](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)

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

<sup>4</sup> [https://www.ofgem.gov.uk/system/files/docs/2018/02/coop\\_solr\\_derogation\\_letter\\_0.pdf](https://www.ofgem.gov.uk/system/files/docs/2018/02/coop_solr_derogation_letter_0.pdf)

<sup>5</sup> This is an estimate. Final calculation of revenue using settlement data is not possible as settlement data is still subject to change. It is therefore reasonable to estimate that the amount recovered matches the amount paid with any subsequent excess/(shortfall) as settlement data is updated addressed through the overall under/ over recovery position.

<sup>6</sup> [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)