

SP Energy Networks

31st July 2019

Supplier of Last Resort



SUPPLIER OF LAST RESORT

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 £14.0m¹, of which £7.7m² 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 in February 2018. On 6 February 2018 Ofgem provided the necessary derogations³ 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 attached statements to satisfy these obligations, which are summarised in the table below.

	SP Distribution	SP Manweb	Total
Revenue	£540,820.05	£405,900.13	£946,720.17
Payments	£521,870.52	£392,789.40	£914,659.92
Difference	£18,949.53	£13,110.73	£32,060.25



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 SoLR⁴. 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').

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.ofgem.gov.uk/system/files/docs/2018/02/coop_solr_derogation_letter_0.pdf

⁴ https://www.ofgem.gov.uk/system/files/docs/2019/05/solr_-_decision_document.pdf



Last Resort Supply Payment claim statement

Obligation to prepare and publish statement in accordance with paragraphs 9-10 of standard condition 38 (Treatment of payment claims for last-resort supply) of the Electricity Distribution Licence

Licensee:	SP Distribution
Claimant:	Co-operative Energy Limited
Regulatory year:	2018/19

1. Revenue recovered from the consequential increase in Use of System charges

In accordance with paragraph 2 of SLC38 of the Electricity Distribution Licence Use of System charges were increased in the Relevant Regulatory Year to such an extent the licensee reasonably estimates is appropriate to ensure that the consequential increase in its Use of System revenue will equal the Specified Amount in Co-operative Energy Limited's Last Resort Supply Payment claim. On 6 February 2018 Ofgem provided the necessary derogations¹ to allow DNOs to recover Co-operative Energy Limited's claim, via a supplementary increase of 0.08 pence per day to the domestic unrestricted, domestic two rate and LV network domestic tariffs.

Settlement run	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Total	£44,438.31	£45,918.70	£44,443.05	£45,926.30	£45,930.74	£44,447.20	£45,935.67	£44,459.48	£45,937.82	£45,940.59	£41,493.49	£45,948.70	£540,820.05

2. Last Resort Supply Payments made in response to a Valid Claim to the Claimant

In accordance with paragraph 3 of SLC38 of the Electricity Distribution Licence during or as soon as practicable after the end of the Relevant Regulatory Year, the licensee must pay the Claimant in instalments as specified in the Valid Claim the amount of the consequential increase in its Use of System revenue, to the extent that it does not exceed the Specified Amount.

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Total	£43,489.21	£43,489.21	£43,489.21	£43,489.21	£43,489.21	£43,489.21	£43,489.21	£43,489.21	£43,489.21	£43,489.21	£43,489.21	£43,489.21	£521,870.52

3. Excess/(shortfall) use of system revenue recovery

In accordance with paragraphs 4 and 5 of SLC38 of the Electricity Distribution Licence, 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.

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Total	£949.10	£2,429.49	£953.84	£2,437.09	£2,441.53	£957.99	£2,446.46	£970.27	£2,448.61	£2,451.38	(£1,995.72)	£2,459.49	£18,949.53

¹ <https://www.ofgem.gov.uk/publications-and-updates/decision-grant-all-dnos-derogations-charging-years-201819-and-201920-due-last-resort-supply-payment-claim>



Last Resort Supply Payment claim statement

Obligation to prepare and publish statement in accordance with paragraphs 9-10 of standard condition 38 (Treatment of payment claims for last-resort supply) of the Electricity Distribution Licence

Licensee:	SP Manweb
Claimant:	Co-operative Energy Limited
Regulatory year:	2018/19

1. Revenue recovered from the consequential increase in Use of System charges

In accordance with paragraph 2 of SLC38 of the Electricity Distribution Licence Use of System charges were increased in the Relevant Regulatory Year to such an extent the licensee reasonably estimates is appropriate to ensure that the consequential increase in its Use of System revenue will equal the Specified Amount in Co-operative Energy Limited's Last Resort Supply Payment claim. On 6 February 2018 Ofgem provided the necessary derogations¹ to allow DNOs to recover Co-operative Energy Limited's claim, via a supplementary increase of 0.08 pence per day to the domestic unrestricted, domestic two rate and LV network domestic tariffs.

Settlement run	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Total	£33,321.21	£34,442.32	£33,341.45	£34,459.10	£34,466.10	£33,362.54	£34,479.17	£33,379.78	£34,499.18	£34,502.65	£31,167.87	£34,478.76	£405,900.13

2. Last Resort Supply Payments made in response to a Valid Claim to the Claimant

In accordance with paragraph 3 of SLC38 of the Electricity Distribution Licence during or as soon as practicable after the end of the Relevant Regulatory Year, the licensee must pay the Claimant in instalments as specified in the Valid Claim the amount of the consequential increase in its Use of System revenue, to the extent that it does not exceed the Specified Amount.

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Total	£32,732.45	£32,732.45	£32,732.45	£32,732.45	£32,732.45	£32,732.45	£32,732.45	£32,732.45	£32,732.45	£32,732.45	£32,732.45	£32,732.45	£392,789.40

3. Excess/(shortfall) use of system revenue recovery

In accordance with paragraphs 4 and 5 of SLC38 of the Electricity Distribution Licence, 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.

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Total	£588.76	£1,709.87	£609.00	£1,726.65	£1,733.65	£630.09	£1,746.72	£647.33	£1,766.73	£1,770.20	(£1,564.58)	£1,746.31	£13,110.73

¹ <https://www.ofgem.gov.uk/publications-and-updates/decision-grant-all-dnos-derogations-charging-years-201819-and-201920-due-last-resort-supply-payment-claim>

