

SP Energy Networks

31st July 2020

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 31 July 2018, Ofgem appointed Octopus Energy Limited as the supplier of last resort (SoLR) to the gas and electricity customers of Iresa Limited following Iresa's failure.

Octopus (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 24 January 2019 Ofgem decided that Octopus was allowed to make claims (a Valid Claim, as defined in SLC38) totalling £13.2m¹, of which £7.2m² was to be recovered through use of system charges levied by distribution network operators (DNOs).

As a result, DNOs increased 2019/20 (the Relevant Regulatory Year, as defined in SLC38) use of system charges to recover Octopus's Valid Claim in line with the methodology set out in a joint DNO request for directions in February 2019. On 6 February 2019 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	£542,898.02	£407,650.82	£950,548.84
Payments	£487,944.83	£367,770.85	£855,715.68
Difference	£54,953.19	£39,879.97	£94,833.16

In accordance with the 2 May 2019 Ofgem publication, implemented on 28 June 2019, regarding its decision on modifications to the licence to recover the costs associated with appointing a SoLR⁴, the final excess revenue is returned via the new SoLR pass-through costs i.e. the SLR term defined in CRC2B 'Calculation of



Allowed Pass-Through Items' ('CRC2B'). In the event of a shortfall the licensee must also pay the Claimant the amount plus 12 months' interest on that amount. In addition, all future claims will be subject to this pass-through mechanism rather than an adjustment to use of system charges, except for breaches to the materiality threshold set out in SLC38B.

¹ https://www.ofgem.gov.uk/system/files/docs/2019/01/octopus_last_resort_supply_payment_claim_-_final_decision.pdf

² https://www.ofgem.gov.uk/system/files/docs/2019/01/consent_to_octopus_energys_claim_for_a_last_resort_supply_payment_under_its_electricity_supply_licence.pdf

³ https://www.ofgem.gov.uk/system/files/docs/2019/02/octopus_solr_derogation_letter.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:	Octopus Energy Limited
Regulatory year:	2019/20

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 Octopus Energy Limited's Last Resort Supply Payment claim. On 6 February 2019 Ofgem provided the necessary derogations¹ to allow DNOs to recover Octopus 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	£44,485.39	£45,972.55	£44,492.50	£45,979.27	£45,981.68	£44,501.35	£45,986.32	£44,506.17	£45,995.13	£45,996.23	£43,028.32	£45,973.12	£542,898.02

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	£40,662.07	£40,662.07	£40,662.07	£40,662.07	£40,662.07	£40,662.07	£40,662.07	£40,662.07	£40,662.06	£40,662.08	£40,662.07	£40,662.06	£487,944.83

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

In accordance with the 2 May 2019 Ofgem publication, implemented on 28 June 2019, regarding its decision on modifications to the licence to recover the costs associated with appointing a SoLR, the final excess revenue is returned via the new SoLR pass-through costs i.e. the SLR term defined in CRC2B 'Calculation of Allowed Pass-Through Items' ('CRC2B'). 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	£3,823.32	£5,310.48	£3,830.43	£5,317.20	£5,319.61	£3,839.28	£5,324.25	£3,844.10	£5,333.07	£5,334.15	£2,366.25	£5,311.06	£54,953.19

¹ <https://www.ofgem.gov.uk/publications-and-updates/decision-grant-all-dnos-derogations-charging-years-201920-and-202021-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:	Octopus Energy Limited
Regulatory year:	2019/20

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 Octopus Energy Limited's Last Resort Supply Payment claim. On 6 February 2019 Ofgem provided the necessary derogations¹ to allow DNOs to recover Octopus 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	£33,379.62	£34,499.05	£33,392.66	£34,514.06	£34,519.52	£33,411.92	£34,532.72	£33,426.10	£34,547.74	£34,552.54	£32,328.14	£34,546.75	£407,650.82

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	£30,647.57	£30,647.57	£30,647.57	£30,647.57	£30,647.57	£30,647.57	£30,647.57	£30,647.57	£30,647.57	-	£61,295.14	£30,647.58	£367,770.85

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

In accordance with the 2 May 2019 Ofgem publication, implemented on 28 June 2019, regarding its decision on modifications to the licence to recover the costs associated with appointing a SoLR, the final excess revenue is returned via the new SoLR pass-through costs i.e. the SLR term defined in CRC2B 'Calculation of Allowed Pass-Through Items' ('CRC2B'). 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	£2,732.05	£3,851.48	£2,745.09	£3,866.49	£3,871.95	£2,764.35	£3,885.15	£2,778.53	£3,900.17	£34,552.54	(£28,967.00)	£3,899.17	£39,879.97

¹ <https://www.ofgem.gov.uk/publications-and-updates/decision-grant-all-dnos-derogations-charging-years-201920-and-202021-due-last-resort-supply-payment-claim>

