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Request for Direction regarding claims under Supplier of Last Resort (SoLR)

Background

Standard Special Condition A48 of the Gas Transporter licence specifies the process under which a licensee, *“shall increase its transportation charges in order to pay any gas supplier (a “claimant”) or LRSP Permitted Assignee a last resort supply payment in accordance with the terms of a valid claim”*. The condition then goes on to list the provisions in which a claim is valid.

Following on from the consent given to use the Miscellaneous Pass-through (MPt) term in 22/23, and with no change to the Licence pertaining to the treatment of SoLR costs since that consent was granted, Cadent formally seeks direction from the Gas and Electricity Markets Authority to utilise the MPt term for the formula year 2023/24.

Special Condition 6.1 (Distribution Network pass-through expenditure) defines the MPt as: *“...the adjustment equal to miscellaneous pass-through costs incurred by the licensee and not reflected in any other part of this condition, which the Authority has (following consultation with the licensee) directed the licensee to treat as part of MPt.”*

Therefore, in accordance with the provisions of Special Condition 6.1, the next section of this paper details out the claims for 2023/24.

Details of the SoLR claims


The Gas element of the SoLR costs has been apportioned based on the numbers of Customers per Network as per the 2021/22 RRP tables. The allocation per Network therefore is as follows.

<u>Gas Distribution Network</u>	<u>Customer Numbers</u>	<u>Percentage Customer Split</u>
Cadent - East of England	4,044,806	18.4%
Cadent - London	2,277,646	10.3%
Cadent - North West	2,702,687	12.2%
Cadent - West Midlands	1,973,339	8.9%
NGN	2,557,855	11.6%
WWU	2,563,934	11.6%
SGN (Scotland)	1,845,721	8.3%
SGN (Southern)	4,143,437	18.7%
TOTAL	22,109,425	100.0%

Based on the above percentages, the following costs for Cadent's Networks were calculated based on the total Gas Element of SoLR Cost across all 8 networks, as supplied to us.

Cadent requests to utilise the MPt term within Pass-through costs to recover costs associated with its four networks, East of England, London, North West and West Midlands as set out in the table below.

<u>Failed supplier</u>	<u>SoLR</u>	<u>Total value (for the 8 Networks)</u>	<u>East of England</u>	<u>London</u>	<u>North West</u>	<u>West Midlands</u>
Simplicity Energy Limited	British Gas Trading Limited	£1,360,880	£248,966	£140,194	£166,356	£121,463
Neon Reef Limited	British Gas Trading Limited	£5,219,867	£954,948	£537,735	£638,084	£465,890
PFP Energy Supplies Limited	British Gas Trading Limited	£3,194,835	£584,479	£329,122	£390,541	£285,150
Bluegreen Energy Services Limited	British Gas Trading Limited	£2,209,383	£404,195	£227,604	£270,078	£197,195
Together Energy (Retail) Limited	British Gas Trading Limited	£40,254,465	£7,364,348	£4,146,893	£4,920,762	£3,592,844
People's Energy (Supply) Limited	British Gas Trading Limited	£27,438,473	£5,019,728	£2,826,628	£3,354,117	£2,448,974
Gas and Power Limited	E.ON Next Energy Limited	£592,064	£108,315	£60,993	£72,375	£52,844



ENSTROGA Ltd	E.ON Next Energy Limited	£187,853	£34,367	£19,352	£22,963	£16,767
IGLOO ENERGY SUPPLY LIMITED	E.ON Next Energy Limited	£1,556,716	£284,793	£160,368	£190,295	£138,942
SYMBIO ENERGY LIMITED	E.ON Next Energy Limited	£1,556,375	£284,731	£160,333	£190,253	£138,912
Zog Energy Limited	EDF Energy Customers Limited	£1,743,210	£318,911	£179,580	£213,092	£155,587
Utility Point Limited	EDF Energy Customers Limited	£39,959,045	£7,310,302	£4,116,460	£4,884,649	£3,566,476
UK Energy Incubator Hub Ltd	Octopus Energy Limited	£106,451	£19,475	£10,966	£13,013	£9,501
Avro Energy Limited	Octopus Energy Limited	£16,759,157	£3,066,002	£1,726,478	£2,048,663	£1,495,810
Entice Energy Supply Limited	Scottish Power Energy Retail Li	£210,788	£38,563	£21,715	£25,767	£18,814
PURE PLANET LIMITED	SHELL ENERGY RETAIL LIMITED	£34,556,219	£6,321,883	£3,559,877	£4,224,200	£3,084,256
DALIGAS LIMITED	SHELL ENERGY RETAIL LIMITED	£482,597	£88,289	£49,716	£58,993	£43,073
COLORADO ENERGY LIMITED	SHELL ENERGY RETAIL LIMITED	£820,005	£150,016	£84,474	£100,239	£73,188
GREEN SUPPLIER LIMITED	SHELL ENERGY RETAIL LIMITED	£40,639,434	£7,434,776	£4,186,551	£4,967,821	£3,627,203
GOTO ENERGY (UK) LIMITED	SHELL ENERGY RETAIL LIMITED	£5,562,017	£1,017,542	£572,982	£679,909	£496,428
Omni Energy Ltd	Utilia	£47,915	£8,766	£4,936	£5,857	£4,277
	TOTAL	£224,457,748	£41,063,395	£23,122,957	£27,438,029	£20,033,593

For 2023/24, and potentially for future years too, new Transportation Revenue charging codes (LRD & LRI) and a price setting methodology have been set up specifically for Last Resort Supplier Payments. The methodology to follow has been established through UNC modification 0797, 'Last Resort Supply Payments; Volumetric Charges' and was approved by Ofgem on January 20th, 2022.

<https://www.ofgem.gov.uk/publications/authority-decision-unc0797-urgent-last-resort-supply-payments-volumetric-charges>

Subsequent to implementing this modification to the UNC, it has been agreed to adjust SoLR charges in relation to Independent Gas Transporters. Any income from IGT's will be reported against the MPt term

Yours sincerely,

Drew Sambridge

Regulatory Finance Manager