

To all interested parties

Email: solrlevyteam@ofgem.gov.uk

Date: 25 May 2023

Dear Colleague,

Last Resort Supply Payment claim (LRSP) process for 2023

On 20 December 2022,¹ we published our decisions on a number of Last Resort Supply Payment claims ("LRSP", often referred to as a "levy claim") submitted by Suppliers of Last Resort (SoLRs) as part of the temporary multi-stage claim process established in December 2021.²

This letter sets out the details of the assessment process for 2023, as well as Ofgem's expectations for SoLRs' final True-up claims for the LRSP claims that were approved in December 2022 under the temporary multi-stage claim process.

Multi-stage claim process

To implement the multi-stage claims process, Ofgem's consent to LRSP claims in 2021 was made conditional upon suppliers entering in to a True-up Agreement in respect of each SoLR appointment. These True-up Agreements set out, in the form of a deed executed by both Ofgem and the supplier, the framework for LRSP claims to be made in multiple stages

- an Initial Levy Claim
- Subsequent Levy Claims
- a True-up Claim, which would be the final claim in respect of the relevant Last Resort Supply Direction.

¹ [Decision on last resort levy True-up claims | Ofgem](#)

² [Decision letter faster levy process \(ofgem.gov.uk\)](#)

Ofgem provided its consent to 19 Initial Levy claims in December 2021. In October 2022, SoLRs submitted further claims to Ofgem in line with Ofgem's September 2022 policy decision on its approach to True-up claims. This included the requirement for the claims to be internally audited, and a declaration to be signed by the Board of Directors, or Finance Director if approved by the Board of Directors, confirming the accuracy of the claim and supporting evidence.

Following the assessment of 17 claims submitted in October 2022, Ofgem gave consent on the condition that these claims be treated as Subsequent Levy Claims under the True-up Agreements, and that the Agreements remain in place until a valid final True-up claim is made.

As a result, SoLRs that submitted claims in 2022 under their True-up Agreements are still required to submit to Ofgem a final True-up claim for each Last Resort Supply Direction in respect of which they have a True-up Agreement. The True-up claims will allow us to make a final assessment of costs recoverable by the SoLRs and to ensure that they are 'trued-up' across all the claims by a SoLR in respect of a single Last Resort Supply Direction by making adjustments where necessary.

Requirements for final True-up claims

The True-up Agreements set out the requirements for final True-up claims, and we further consulted in 2022³ on our policy approach to assessing these claims. We intend to apply that policy to all future claims that are part of the multi-claims process under those True-up Agreements. SoLRs remain bound by the True-up Agreements, which provide that True-up claims must at a minimum contain certain things, including:

- a calculation with supporting evidence showing the total actual or committed additional costs incurred by the SoLR in complying with that Last Resort Supply Direction, including those costs already claimed for under the Valid Initial Levy Claim(s) and any Valid Subsequent Levy Claim(s) and showing whether those costs exceed or are less than the LRSP claims already made; and
- evidence for additional LRSPs not already claimed; and
- indication of any changes to circumstances relevant to previously approved claims, including changes to assumptions about wholesale costs; and
- evidence that all costs have been audited with due rigour and signed off by the company secretary or a director of the SoLR; and

³ [Decision on last resort levy claims True-up process | Ofgem](#)

- a declaration from the SoLR's board of directors or the financial director, where authorised by the SoLR's board of directors, that the information provided in the True-up is true, accurate and not misleading in any material respect.

In the policy published in September 2022, we also set out specific requirements for the internal audit of costs, as well as the level of supporting evidence we would expect for each cost category.

We recognise that the Subsequent Levy claims in 2022 were submitted in line with our requirements for final True-up claims. We also recognise that, where SoLRs are not seeking any additional LRSP payments, their claims for a number of cost categories may not have changed since the 2022 claim was submitted. We are taking a pragmatic approach in order to minimise unnecessary burdens on SoLRs when submitting the required final True-up claims. In practice, this means that, where SoLRs are not seeking to claim additional costs (or additional costs in particular categories) they will be able to rely on the 2022 audit statement and supporting evidence in respect of those costs.

Where a SoLR submits a True-up claim following a Subsequent Levy claim that was approved in 2022:

- If the SoLR is not seeking to claim additional costs in 2023, the audit statement provided with the Subsequent Levy Claim in October 2022 may be used to meet the requirement in clause 5.1(a)(ii) to 'demonstrate that all costs have been audited with due rigour'. That is, we would expect the SoLR to submit a final True-up under the True-up Agreement that addressed all the requirements in clauses 5.1(a) and 5.1(b) but there would be no need to commission an additional audit in relation to costs previously claimed;
- If the SoLR is seeking to claim additional or amended costs in 2023 the audit statement provided with the Subsequent Levy Claim in October 2022 may be used, together with an audit statement in respect of any additional or amended costs claimed, to meet the requirement in clause 5.1(a)(ii) to 'demonstrate that all costs have been audited with due rigour'. That is, we would expect a SoLR to submit a final True-up under the True-up Agreement that addressed all the requirements in clauses 5.1(a) and 5.1(b), but an additional audit would only be required in respect of costs that have been amended or not previously claimed.

Timings for 2023 assessment process

Ofgem will aim to provide its consent to the 2023 claims in time for SoLRs to make the LRSP claims to the network operators before the end of the year in order to start receiving payments in the next charging year beginning in April 2024.

For the assessment period in 2023, we have decided on a claim submission deadline of **Thursday 7 September 2023**. Any claims submitted prior to this date will be able to be assessed and decided upon this year. Following the receipt of any final True-up claims, we will undertake the necessary assessment and assurance process to publish a minded-to consultation on the claims in mid-October. Following a four-week consultation period on our minded-to positions, Ofgem will then seek to publish its final decisions as soon as is practicable, but by mid-December at the latest.

We recognise that there may be some types of costs that SoLRs may not have actual data for by the 7 September deadline – for example, data relating to deductions made for the backwardation allowance within wholesale costs. In such circumstances we expect SoLRs to make their audited final True-up claim in September 2023 based upon actual data where possible, and only use forecasted data where necessary. We will come to our minded-to position based on the data provided but will expect SoLRs to provide the remaining actual data, that we will also require to be audited, to us by the end of the four-week consultation period (mid-November) so that we can reach a final decision that is based on audited actual data and incurred costs.

Claim submission templates

In 2022 we published a set of claim submission templates for each of the four cost categories (wholesale, credit balances, other costs, and working capital) alongside our 2022 policy consultation decision. Alongside this open letter, we have published updated templates for SoLRs to complete and submit to us for any additional or amended costs to be claimed. These templates include details of the methodology suppliers should follow in calculating their costs with supporting information and guidance.

While the use of these templates is not mandatory, any deviation from the templates or the information requested through them could slow down our assessment of claims and require additional information to be sought from SoLRs. In these circumstances, we would encourage SoLRs to engage early with us to ensure that assessment process can be undertaken efficiently for both Ofgem and SoLRs.

Yours sincerely

Melissa Giordano

Deputy Director, Retail Systems & Processes