

5th April 2024

Cadent Gas Limited
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David Hall
Ofgem,
10 South Colonnade,
Canary Wharf,
London,
E14 4PU



Dear David Hall,

Ofgem SoLR Levy Offset Consultation February 2024 – Cadent Gas Limited Representation

Thank you for the opportunity to share our views relating to Ofgem’s proposals within the February 2024 SoLR Levy Offset consultation. Several representatives from our organisation have engaged with Ofgem colleagues throughout the consultation window, and we have been collaborating with the Energy Networks Association (ENA) and their network members to produce a combined energy networks consultation response.

The ENA response on behalf of its members contains both a covering letter that outlines energy networks’ overarching position, and a response document containing more detailed answers to the consultation question set.

Cadent’s position on Ofgem’s intent behind the consultation, the suitability of the proposals, and the unsecured creditor role proposed for energy networks fully aligns with the views contained within the ENA combined response.

We believe the following points within the ENA combined response are especially pertinent to Ofgem as part of their policy decision making process:

1. Cadent has concerns that the unsecured creditor role to be performed by energy networks, in the event of a failed supplier’s insolvency, would create responsibilities that fall outside of network companies regulatory remit – e.g. Article 18 of Regulation (EU) 2019/943 (as adopted into GB legislation). We would encourage Ofgem to evidence how the SoLR Levy Offset proposals do not extend energy networks’ responsibilities outside of their regulatory remit.

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2. We believe the perceived benefits of energy networks performing the unsecured creditor role in a failed supplier's insolvency event either do not materialise in reality or are limited versus other parties (such as the SoLR) performing the role. For example, we believe the appointment of the SoLR as the unsecured creditor carries several advantages such as:
 - a. The likelihood of the SoLR already making a claim as part of the insolvency event for customer balances;
 - b. The removal of complexity, by negating the need for fourteen electricity and four gas network companies to enter into deeds with existing and future energy suppliers.
 - c. The SoLR is more likely to possess the necessary skills and experience to represent the interests of consumers during the failed supplier event, maximising the likelihood of funds being recovered, and reducing the administrative burden on energy networks.

3. We believe a comprehensive range of views to support the position of there being better placed parties (particularly the SoLR) to act as the unsecured creditor are included in the ENA consultation response. However, we would encourage Ofgem to consider some key points in the event that the proposals within the consultation document remain unchanged. The process must be designed on the principles of simplicity, cost neutrality, and the recognition of energy networks' expertise and liabilities. Energy networks must be able to treat the administrative costs incurred when acting as an unsecured creditor as pass-through. Additionally, energy networks must be held to, and their liabilities set to a reasonable standard when interacting with administrators to recover costs for consumers.

Overall, we are supportive of Ofgem's intent behind the consultation that seeks to recover costs for consumers that previously funded SoLR events. However, we believe that this outcome can be better achieved through an alternate process, centred on a more well-suited party performing the unsecured creditor role.

Yours faithfully,

Edward Allard
Industry Codes Manager

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