

**Smell gas?**

Call the National Gas Emergency Service  
on 0800 111 999

Financial Resilience & Controls Team  
Office of Gas and Electricity Markets

Email: [solrlevyteam@ofgem.gov.uk](mailto:solrlevyteam@ofgem.gov.uk)

5<sup>th</sup> April 2024

Dear Ofgem

**Re: SoLR Levy Offset Consultation**

Thank you for the opportunity to provide representation on the above noted proposal. Northern Gas Networks (NGN) is supportive of the intent of the proposal which is trying to recover monies from failed suppliers to counter costs passed to end consumers under the Last Resort Supplier Payment (LRSP process). We do however have some concerns in relation to the proposed means of this being carried out via the Distribution Networks (DNOs).

The Energy Networks Association (ENA) has submitted a consultation response on behalf of the gas and electricity DNOs, and we would like it noted that we fully support all the comments within that response. Additionally, we wanted to highlight some specific areas of concern that we have which are over and above the detail given in the ENA response.

Aside from the concerns that DNOs are not best placed to carry out this process, and that the SoLR itself would be (the ENA response goes into this in detail), and the added layer of Shippers in Gas, there is the concern as to how we can ensure that any monies recovered are actually passed, in full, through to the end customers. Additional clarity in relation to how this will be facilitated would be welcome.

In relation to the DNOs carrying out the process ourselves:

Any invoice raised and filed with the administrator would need to be provided for within in our bad debt provision and then the debt written off. This would then be reversed should there be monies released from hedges which are passed on to the unsecured creditors (which would likely be years later) down the line. Should we not provide for, and write off the debt as a bad debt, we would have a debt of £millions sitting showing as unpaid on our ledgers. Any debt of this size showing as outstanding on our ledgers would have impacts including relating to when the VAT would need to be paid versus when it would be able to be recovered (so impacting our cashflow), as well as the debt potentially impacting our covenants which would also impact our credit rating and potentially risk us breaching our licence.

It should be noted though that in managing the above-mentioned risks by writing off the debt, we create a different issue. We would need to look at how this could then be managed via RRP, as we would not want this debt to be treated as a true bad debt, and definitely not have it passed through transportation charges, as this would result in the end consumers potentially paying for it twice, which is the opposite of the intent of the SoLR Levy process.

**we are  
the network**

Northern Gas Networks Limited is registered in England and Wales, no. 5167070.  
Registered office: 1100 Century Way, Thorpe Park Business Park, Colton, Leeds LS15 8TU



Part of your monthly gas bill goes towards keeping your gas supply flowing and providing a fast and efficient emergency response service if you smell gas.  
To find out more visit: [northerngasnetworks.co.uk/goodtoknow](https://northerngasnetworks.co.uk/goodtoknow)

For information on how we use your details please visit: [northerngasnetworks.co.uk/legal-information](https://northerngasnetworks.co.uk/legal-information)



[northerngasnetworks.co.uk](https://northerngasnetworks.co.uk)



+44 (0) 113 397 0034



1100 Century Way, Thorpe Park Business  
Park, Colton, Leeds LS15 8TU

We note that in your discussions with DNOs you mentioned that you have taken advice from insolvency companies in relation to whether this could work, and the conclusion was that it should, however you would not know for definite unless it there was ever cause for a claim to be registered. The complexity of the process, and additional administration that would be required, mean that this process should only be put in place if it is 100% guaranteed that there is no conflict between the various legislations and that the overall process actually works. Therefore, it would be helpful for any existing received advice and any information you have received from insolvency (or other) experts to be shared.

Additionally, we believe that the end-to-end process needs to have legal advice in relation to the interacting legislation, including financial areas (vat, credit, hedges, and insolvency) as well as DNO (also Supplier and potentially Shipper) licence and SoLR process.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,



Tracey Saunders (via email)  
Northern Gas Networks Ltd  
Head of Market Regulation and Compliance (Interim)  
Mobile: 07580 215743