

To: All holders of an electricity distribution special licence

**Electricity Act 1989
Section 11A(2)**

**Notice of statutory consultation on a proposal to modify the special conditions
electricity distribution licence**

1. The Gas and Electricity Markets Authority ('the Authority')¹ proposes to modify the special conditions of the electricity distribution licence granted or treated as granted under 11A(2) of the Electricity Act 1989 by amending Chapter 6: Pass-through expenditure, 6.1.3.
2. The first modification we are proposing is to the SRCt formula in Chapter 6: Pass-through expenditure is required to implement the Supplier of Last Resort (SoLR) Levy Offset. The SoLR Levy Offset has been developed in response to the significant impacts on consumers of supplier after a number of failures in winter 2021.
3. The primary intended effect of this proposed addition is to reduce the mutualised costs associated with supplier failure.
4. The effect of the proposed modification is to account for payments received from a former electricity supplier. The modification ensures that any payments received are accounted for in the total pass-through amounts.
5. Similarly, the modification proposed to the SLRt formula in Chapter 6: Pass-through expenditure, is to account for adjustments to a SoLR's Valid Claim. Adjustments to the total may result from the SoLR receiving an overpayment. In the case of an overpayment, under the 'multi-claims' process, the LRSP amount to be paid by (or due to) the network from the SoLR is correspondingly adjusted.
6. A copy of the proposed modification/modifications and other documents referred to in this Notice have been published on our website (www.ofgem.gov.uk). Alternatively they are available from information.rights@ofgem.gov.uk.
7. Any representations with respect to the proposed licence modification/modifications must be made on or before 17 October 2024 to SoLR Levy Team, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to SoLRLevyTeam@Ofgem.gov.uk
8. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
9. If we decide to make the proposed modifications they will take effect not less than 56 days after the decision is published.

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document and may refer to either GEMA or Ofgem.

**David Hall, Deputy Director of Financial Resilience and Controls
Duly authorised on behalf of the Gas and Electricity Markets Authority**

19th September 2024

Chapter 6: Pass-through expenditure – Special Condition 6.1 Pass-through items - Part A:
Formula for calculating the pass-through items (PTt)

6.1.3

SLR _t	means the aggregate Specified Amount of the Valid Claims requiring payment in accordance with the licensee's obligations under Standard Condition 38B (Last Resort Supply: Payment Claims), <u>less any amounts directed to be repaid to the licensee by any supplier under SLC 9.7ZA of the supply licence including interest accrued upon such receipts;</u>
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[...]

SRC _t	means payments received by the licensee from an Affiliate or Related Undertaking of a Former Electricity Supplier or a trustee or escrow agent holding funds received from such a person, which relates to a Valid Claim that required payment in accordance with the licensee's obligations under Standard Condition 38B (Last Resort Supply: Payment Claims), <u>plus any payments received from a Former Electricity Supplier under an undertaking to the licensee under standard condition 9A (Undertakings to Licensed Distributors in relation to Last Resort Supply Payments) of the standard conditions of an Electricity Supplier's licence.</u>
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