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Neil Lawrence
Director, Retail Directorate
Ofgem

30 November 2022

Dear Neil,

Last Resort Supply Payment claim minded-to position consultation

Thank you for the opportunity to comment on minded-to positions taken to the various Last Resort Supply Payment (LRSP) claims. Whilst we are not able to make a detailed assessment of the Claims due to the limited information provided, with only summary details of the claims and Ofgem's assessment, we would like to provide some comments that apply generally across the claims.

Overall, it is clearly in consumers' interests for a robust assessment of claims to be undertaken. We believe this is also in suppliers' interests as, if any parties were seen to be receiving unjustified payments, this could undermine the SOLR regime and trust in the energy industry more generally. In particular, we support the adjustments Ofgem has made to ensure the additional assistance provided to suppliers through decisions regarding the retail price cap are fully reflected in the value of claims allowed. To add to the robustness of the assessment, we request clarity over how the need for future claims will be identified and repeat our request for external assurance.

Decisions regarding the retail price cap

Ofgem has taken a number of decisions to include extra costs within the retail price cap. We agree that it is not correct to include these same costs within LRSP claims. This clearly does not

meet the criteria set out that cost should not be recoverable in any other way. The method by which Ofgem has calculated the required adjustments appears reasonable.

Future claims

We also agree that future claims should be allowed, if required to ensure that suppliers are not overcompensated. So, the terms of the true-up deeds should continue to apply. However, we are unclear how any potential overcompensation would be identified by Ofgem to trigger a future claim. Suppliers have a clear commercial incentive to identify areas where they believe they have been undercompensated. This could influence any analysis they undertake and make claims for extra compensation more likely than for reduced. Ofgem should outline how they will ensure ongoing monitoring of the overall accuracy of claims, including reassurance that resourcing in the relevant area is secure.

External assurance

We repeat our request that some external assurance is required. Given the scale of LRSP claims we do not believe that internal audit is sufficient. The approach taken towards supplier compliance with various schemes administered by Ofgem, where only a certain number of suppliers are selected for audit each year, would be an appropriate and more proportionate approach. It should be noted that although the true-up payments are smaller, the true-up process determines the total SoLR claims value. For clarity, this external assurance should be *in addition* to internal audit and not *instead of*.

Please let me know if you would like to discuss our response further.

Yours sincerely,

Andy Manning

Principle Economic Regulation Specialist

Patron HRH The Princess Royal **Chief Executive Dame Clare Moriarty**

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