

Scotland Gas Networks Notice of 2022/23 Intra- year SoLR tariff change

Effective from 1 October 2022

Issued 29 July 2022



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1 Introduction

This publication gives Notice of the change in Supplier of Last Resort (SoLR) charge expected to apply from 1 October 2022. This is a result of Ofgem's decision on 16 June 2022 "Decision Letter", for Independent Gas Transporters (IGTs) to pay Gas Distribution Networks (GDNs) directly for the Last Resort Supply Payment (LRSP) costs relating to the customers connected via an IGT network. This document does not override or vary any of the statutory, licence or Network Code obligations upon Scotland Gas Networks.

For more information on the charges set out in this document, please contact via email: -
pricing.team@sgn.co.uk

2 Supplier of Last Resort Charges

On the 1st December 2021 Ofgem¹ confirmed their request to networks to accept SOLR claims after the 31st of October. The valid SOLR claims were approved by Ofgem on the 22nd December². SGN notified the market of the final transportation charges that would come into force on the 1st of April on the 31st of January following confirmation of the necessary licence changes on the 28th January³. The existing charging arrangements raise the issues as to whether or not gas customers connected via an IGT network are charged the same costs as those connected directly to a GDN network.

In March 2022, Ofgem consented to IGTs revising their 2022/23 charges to reflect LRSP costs⁴. The consent was intended to facilitate LRSP cost recovery evenly between gas customers connected directly to a GDN network and those connected via an IGT network. As GDNs had already set their 2022/23 tariffs this would result in an over-collection of SoLR charges from UK gas customers in 2022/23 unless subsequent adjustments were made to GDN tariffs.

In April Ofgem issued an open letter⁵ to consult on options for the recovery of LRSP claims from customers connected directly to GDNs and those connected via IGTs.

In June 2022 Ofgem issued their decision to their open letter⁶. The decision was for LRSP payments to continue to be paid directly by GDNs to SoLRs and for these costs recovered by IGTs to be paid direct to GDNs. As this would result in a material over-collection of SoLR revenue in 2022/23 Ofgem set out their intention to consent to GDNs request for an intra-year revision to tariffs in October 2022 to reflect the payments received from IGTs. Ofgem published their consent in July 2022⁷.

It is the responsibility of Scotland Gas Networks to recover the costs incurred by the SoLR provider and to pass those onto the new Supplier as set out under Standard Special Condition A48 of the transportation licence. Scotland Gas Network collects these costs on a volumetric basis as guided by UNC modification 0797. The original SoLR costs impacting 2022/23 charges were £68.6m, as Scotland Gas Networks now forecast to recover a portion of costs via IGTs (c.£11m) the SoLR rate for the period October 2022 to March 2023 needs to reflect

¹ <https://www.ofgem.gov.uk/publications/decision-letter-supplier-last-resort-levy-claims>

² <https://www.ofgem.gov.uk/publications/faster-solr-levy-process-consents-last-resort-supply-payments>

³ <https://www.ofgem.gov.uk/publications/decision-modifications-regarding-last-resort-supply-payment-claim-deadlines-gas-transportation-licence-conditions>

⁴ <https://www.ofgem.gov.uk/sites/default/files/2022-03/2022-03-11%20IGT%20LRSP%20letter%20-%20authorised.pdf>

⁵ <https://www.ofgem.gov.uk/publications/recovery-gas-transporters-last-resort-supply-payments>

⁶ <https://www.ofgem.gov.uk/publications/decision-letter-about-recovery-last-resort-supply-payment-claims-customers-connected-gdn-and-igt-networks>

⁷ <https://www.ofgem.gov.uk/publications/decision-letter-about-recovery-last-resort-supply-payment-claims-customers-connected-gdn-and-igt-networks>



this change. SoLR costs are a straight passthrough therefore only reflect the level of costs GDNs need to subsequently pass onto the wider shipper community.

LDZ Supplier of Last Resort Charges

Charge Code	LRD & LRI	LRD & LRI
Supply Point Volume Charge	Daily Rate p/p KWh Apr22 – Sep22	Daily Rate p/p KWh Oct22 – Mar23
Domestic	0.0937	0.0644
I&C	-	-