

Southern Gas Networks

Last Resort Supply

Payment Claims

2019/20

Issued 31 July 2020



SGN

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Introduction

Southern Gas Networks, pursuant to Standard Special Condition A48 of the Gas Transporter Licence, provide the below details of payments which have been made to Octopus Energy under the Supplier of Last Resort process for the formula year 2019/20 and the corresponding increase in allowed revenue as a result of the claim.

Included in this section is paragraph 11 of SSC A48 which is the most significant extract in determining the obligation for Southern Gas Networks under the Last Resort Supply Payments Claims 2019/20. On the following page is a comprehensive list of the relevant sections of SSC A48.

11. The licensee shall prepare, in respect of each year in which it increases or decreases charges in pursuance of paragraph 3, 5 or 6, a statement showing –

(a) the aggregate amount of its revenue derived from increases in charges in pursuance of paragraph 3;

Southern Gas Networks increased allowed revenue and transportation charges in 2019/20 to a level required to recover payments made to Octopus Energy. This adjustment was included under the Miscellaneous Pass Through licence term (MPt) as agreed with Ofgem and can be seen below.

Target SoLR revenue recovery 2019/20	£1,097,281
Estimate of actual SoLR revenue recovery 2019/20	£1,100,505
Over recovery to be returned to shippers as part of 'k' adjustment 2021/22	£3,224

The over-recovery of £3,224 is a result of an overall over recovery of allowed revenue 0.3% for the year 2019/20. The estimated actual SoLR recovered figure above is based on the 0.3% and to give it context, accounts for 0.0004% of total allowed revenue for 2019/20. The mechanism to return the over recovery in 2021/22 (GD2) is assumed to be the same as used in GD1 i.e. two year lagged, however, it is possible that this will be returned in the GD1 closeout process.

(b) the aggregate amount of its revenue derived from increases in charges in pursuance of paragraph 5;

The amount paid to the claimant was equal the specified amount therefore 11 (b) is not applicable.

(c) the aggregate amount of the decrease in its revenue resulting from decreases in charges in pursuance of paragraph 6, and

The consequential amount included in the revenue for 2019/20 and the amount paid to the claimant was equal to the specified amount therefore 11 (c) is not applicable.

(d) in the case of each last resort supply payment, the aggregate payments to the claimant made in respect of the year in question (whenever those payments were made).

Southern Gas Network made payments to Octopus Energy in twelve monthly instalments, these payments equalled the specified amount which can be seen in the table under 11 a) 'Target SoLR revenue' above.

Aggregate payments made to Octopus 2019/20	£1,097,281
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Standard Special Condition A48

Included in this section are extracts from SSC A48 which are deemed relevant to the statement of Last Resort Supply Payments Claims 2019/20.

1. *This condition sets out the circumstances in which the licensee shall increase its transportation charges in order to compensate any gas supplier (a "claimant") which claims for losses that it has incurred in complying with a last resort supply direction.*
3. *Where the licensee receives a valid claim it shall, during the relevant year, make a consequential increase to its transportation charges during that year which relate to the conveyance of gas to premises (and secondary sub-deduct premises to which gas is conveyed as contemplated by sub-deduct arrangements) to such an extent as it reasonably estimates to be appropriate to secure that such consequential increase in its revenue equals the specified amount.*
4. *The licensee shall, during, or as soon as practicable after the end of, the relevant year, pay to the claimant, by quarterly or monthly instalments (as specified in the claim), the amount of that consequential increase in revenue mentioned in paragraph 3 to the extent that it does not exceed the specified amount.*
5. *If the amount paid to the claimant under paragraph 4 is less than the specified amount, the licensee shall in the following financial year –*
 - (a) *pay to the claimant (in accordance with any directions given by the Authority) the shortfall together with 12 months' interest thereon; and*
 - (b) *increase the charges referred to in paragraph 3 during the year following the relevant year to such extent as it reasonably estimates to be appropriate to secure that the consequential increase in its revenue equals the amount of that shortfall together with 12 months' interest thereon.*
6. *If the amount of the consequential increase mentioned in paragraph 3 exceeds the specified amount, the licensee shall, during the year following the relevant year, decrease the charges referred to in paragraph 3 to the extent that it reasonably estimates to be necessary in order to reduce its transportation revenue for that year by an amount equal to the excess together with 12 months' interest thereon.*
11. *The licensee shall prepare, in respect of each year in which it increases or decreases charges in pursuance of paragraph 3, 5 or 6, a statement showing –*
 - (a) *the aggregate amount of its revenue derived from increases in charges in pursuance of paragraph 3;*
 - (b) *the aggregate amount of its revenue derived from increases in charges in pursuance of paragraph 5;*
 - (c) *the aggregate amount of the decrease in its revenue resulting from decreases in charges in pursuance of paragraph 6, and*
 - (d) *in the case of each last resort supply payment, the aggregate payments to the claimant made in respect of the year in question (whenever those payments were made).*