

Southern Gas Networks

Last Resort Supply Payment Claims 2021/22

Issued 31 July 2022



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 Scottish Power, Ovo Energy & EDF under the Supplier of Last Resort process for the formula year 2021/22 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 2021/22. 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 2021/22 to a level required to recover payments made to Scottish Power, Ovo Energy & EDF. 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 2021/22	£1,306,447
Estimate of actual SoLR revenue recovery 2021/22	£1,294,831
Under-recovery to be returned to shippers as part of 'k' adjustment 2023/24	-£11,616

The under-recovery of £11,616 is a result of an overall under-recovery of allowed revenue 0.9% for the year 2021/22. The estimated actual SoLR recovered figure above is based on the 0.9% and to give it context, accounts for 0.0017% of total allowed revenue for 2021/22. This under recovery will be recovered in 2023/24 tariffs.

(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 2021/22 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 Scottish Power and Ovo Energy in twelve monthly instalments and EDF in four 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 Ovo Energy, Scottish Power & EDF 2021/22	£1,306,447
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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 2021/22.

1. This condition sets out the circumstances in which the licensee shall increase its transportation charges in order to pay any gas supplier (a "claimant") or LRSP Permitted Assignee a last resort supply payment in accordance with the terms of a valid claim.

3. Where the licensee receives a valid claim it shall, during the relevant year or other subsequent years (as specified in the valid claim), 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 for each year as set out in the valid claim.

3A. Where the licensee receives a valid claim it shall, during the relevant year or other subsequent years (as specified in the valid claim), 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 for each year as set out in the valid claim.

3B. Where the licensee, in a current year, receives a valid claim, that contains provision for the licensee to adjust the payment of the specified amount for the remainder of that year, the amount by which the licensee shall make a consequential increase to its transportation charges for the remainder of that year pursuant to paragraph 3, shall be directed by the Authority no later than 31st July.

4. The licensee shall, during, or as soon as practicable after the end of, the relevant year or other subsequent years (as specified in the valid claim), pay to the claimant or LRSP Permitted Assignee in accordance with the valid claim by quarterly or monthly instalments (as specified in the valid claim), the amount of that consequential increase in revenue mentioned in paragraph 3 and paragraph 3A where relevant to the extent that it does not exceed the specified amount for that year. Any payment of an amount to an LRSP Permitted Assignee shall discharge any requirement to pay that amount to the claimant

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 (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).