

Explaining the effect of Supplier of Last Resort (SoLR) and Special Administration Regime (SAR)

Last year, the extreme volatility of the energy market impacted several, largely domestic energy suppliers, resulting in a significant number of them going into administration. Consequently, their customers needed to be migrated to an acquiring supplier. This process is called Supplier of Last Resort (SoLR). One large supplier (Bulb) was placed under a Special Administration Regime (SAR), which means that the government is now running the business and paying the costs so that it can continue to operate.

The acquiring suppliers in the SoLR process will incur costs when taking on the customers from the failed suppliers, for example, the cost of honouring customer credit balances. Ofgem have asked the Distribution networks to recover these costs, through increased Distribution Use of System (DUoS) and Local Distribution Zone (LDZ) charges, which will be reflected in your invoice.

It is not yet clear whether the Government will recover the costs they incur through the SAR process, however, we will keep you updated if they publish any guidance here.

What is DUoS?

DUoS is a charge that is added to all business electricity invoices to cover the costs of the electricity distribution network. The DUoS charge covers the cost of maintaining the infrastructure of the 14 local electricity distribution networks, including the cables, substations, poles, and transformers.

The distribution network is responsible for delivering the energy from the National Grid transmission network to homes and businesses.

What are LDZ charges?

The LDZ charges are added to gas invoices and form part of the consumption based and non-consumption-based transportation charges. They cover the costs associated with the installation, operation, maintenance, and development of the 13 local gas distribution networks by the gas distribution network companies.

So, what does this mean for you?

The overwhelming majority of the SoLR costs are from failed domestic suppliers, with only a tiny amount from non-domestics. This means that these costs will be carried by Electricity MPANs with profile classes 01 and 02. If you don't know what profile class your meter is, there's a simple guide below.

Costs relating to failed Gas domestic suppliers will only apply to domestic Gas MPRNs. You will need to speak to your supplier to find out if you are on a domestic supply.

How do I check my MPAN?

On your invoice, find the MPAN and look at the first 2 numbers in the top left corner of the MPAN box. These numbers are your MPAN profile class and determine what type of meter you have. Please see the diagram below:

