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Default Price Cap: Consultation on the Energy Company Obligation scheme allowance methodology in the default tariff cap

EDF is the UK's largest producer of low carbon electricity. EDF operates low carbon nuclear power stations and is building the first of a new generation of nuclear plants. EDF also has a large and growing portfolio of renewable generation, including onshore, offshore wind and solar generation, and energy storage. We have around six million electricity and gas customer accounts, including residential and business users. EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

We welcome the opportunity to provide comments on Ofgem's consideration of how to reflect the annualised scheme costs attributed to Energy Company Obligation 4 (ECO4) from cap period eight onwards to ensure the ECO cost allowance within the cap continues to reflect the efficient costs faced by suppliers resulting from the scheme.

EDF is supportive of Ofgem's overall approach in determining the ECO cost allowance in the default tariff cap from cap period eight (commencing April 2022). Ofgem using the most recent ECO4 impact assessment of annualised scheme year ECO4 costs published by BEIS to calculate the ECO allowance is a sensible approach. We also support Ofgem's intention to adjust the allowance in cap period 9 (commencing October 2022) to reflect any under or over recovery by suppliers in the event that the ECO4 legislation is not approved by Parliament and the scheme does not proceed, or as a result of a material change in costs based on the Government response and updated impact assessment.

However, we note that if the ECO4 legislation is not in force on 1 April 2022, BEIS have indicated that it will allow suppliers to deliver ECO4 projects between 31 March 2022 and when the ECO4 legislation is approved by Parliament. It is important therefore that the default tariff cap provides for an ECO4 allowance (consistent with the approach set out above) within this interim period if such an event occurs. As such, Ofgem should ensure that the default tariff cap licence condition and methodology allow for this through the 'policy cost allowance' under the cap.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Jon Cole or myself. I can confirm that this letter may be published on Ofgem's website.

Yours sincerely

A handwritten signature in black ink that reads "R. Beresford". The signature is written in a cursive, flowing style.

Rebecca Beresford
Head of Customers Policy and Regulation