Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

Email: pricecapchanges@Ofgem.gov.uk

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Price Cap – Consultation on reflecting change to gas SoLR levy costs 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 creating a 'SoLR customer charge' within the default tariff cap. EDF is supportive of Ofgem's proposal to amend the cap methodology from Cap Period 8 (commencing in April 2022) to fully reflect the additional costs suppliers will be subject to as a result of Gas SoLR levy costs. As Ofgem has indicated, Gas SoLR levy costs are expected to be material and would not automatically be included within the cap if UNC687 (or UNC797) is approved. This would result in a systematic departure from efficient costs currently accounted for in the cap such that a change to tariff cap methodology is necessary.

We also support Ofgem's proposed approach as to how the methodology will reflect the current UNC687 proposal or an alternative, such as UNC797, ensuring that the methodology is applied to either the standing charge (if a daily charge per meter) or unit rate (if either a commodity p/per kWh charge or capacity p/per peak kWh/day charge).

While not in consideration as part of these proposals, EDF's preference for a Gas SoLR levy charge is the UNC687 daily charge per meter approach. This approach is simple to implement within the cap and mitigates the seasonality impact that a unit rate approach would create, which can potentially lead to volatile periods of under/over recovery for suppliers.

As per our response to UNC797, if either modification were to be implemented a delay of 12 months would be needed to allow time for the industry, along with Ofgem, to robustly identify the impacts and design a robust final mod proposal that could be properly consulted on and efficiently and prudently implemented in the interest of consumers. For instance, Ofgem's third party SOLR financing review will have a material impact on the recovery of SoLR costs and time is needed to consider the implications of this proposal alongside these the proposed modifications. However, a delay in implementing either UNC687 or UNC797 should not delay Ofgem implementing the amendment to the price cap methodology, proposed in this consultation, ahead of cap period 8 (April 2022).

EDF Energy
90 Whitfield Street
London W1T 4EZ
Tel +44 (0) 00 0000 0000
Fax +44 (0) 00 0000 0000

edfenergy.com
EDF Energy Customers Limited
Registered in England and Wales
Registered No. 2228297
Registered office: 90 Whitfield Street
London W1T 4EZ

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

Yours sincerely

J Cole

Jon Cole
Senior Manager, Customers Policy and Regulation