

Dan Norton
Deputy Director, Price Cap
Ofgem
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17 January 2022

Dear Dan

Price Cap – Consultation on reflecting change to gas SoLR levy costs in the Default Tariff Cap

Thank you for the opportunity to respond to your consultation on proposed amendments to the default tariff cap to take account of modifications to how the Supplier of Last Resort (SoLR) industry levy costs are recovered from gas customers.

Ofgem's consultation seeks to ensure that any changes that are made via modifications to the Uniform Network Code in relation to SoLR industry levy costs are passed through to the Default Tariff Cap (DTC) from April 2022 to ensure that suppliers are able to recover them from consumers. We welcome Ofgem's recognition of the need to make changes to the DTC licence conditions to ensure the network charge methodology element accurately reflects any changes that are being made in relation to industry levy costs.

As Ofgem references within the consultation, its proposed amendments to the DTC methodology reflect the proposals set out within UNC687 which creates a "SoLR customer charge" within the network cost methodology which is recovered via the standing charge (ie the DTC at nil consumption). We are comfortable that the proposals Ofgem sets out in this consultation accurately reflect the changes proposed under UNC687.

As Ofgem also notes, UNC687 is not yet approved and other modifications are being considered alongside this one, notably UNC797 which would recover the costs via a consumption charge rather than the standing charge. We agree with Ofgem that if the decision is made to proceed with an alternative modification, it is imperative that Ofgem amend the proposed methodology to ensure it accurately reflects the final decision and that suppliers are able to recover via the DTC all network costs incurred. We recognise that without a final decision yet, the timescale are tight, however it is very important that Ofgem acts quickly to ensure the methodology for the April 2022 cap level calculation accurately reflects the network cost calculation for industry levy costs.

If you would like to discuss any aspect of our response, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in blue ink that reads "Richard Sweet". The signature is written in a cursive, flowing style.

Richard Sweet
Head of Regulatory Policy