

Methodological change consultations - Autumn 2021

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

Octopus Energy agrees that Ofgem's proposal is using the best available data and supports the objective of ensuring a consistent and fair methodology for determining the Energy Company Obligation scheme allowance in the default tariff cap.

Price Cap - Consultation on reflecting prepayment End User Categories in the default tariff cap

Octopus Energy supports Ofgem's proposal to reflect End User Categories in the Prepayment Meter Default Tariff Cap.

We agree that the introduction of EUCs for different payment methods changes the costs of supplying prepayment meter customers and that the opportunity to make the cap methodology more reflective of the usage for any customer group should be taken.

The decision to introduce a distinct Default Tariff Cap for prepayment meter customers recognises, amongst other things, that there are differences in how prepayment and credit meter customers interact with the market and consume energy. The proposed changes to the methodology extend this idea, providing increased protections for prepayment customers and strengthening the purpose of the Default Tariff Cap in ensuring all customers on variable tariffs are subject to fair pricing.

Price Cap - Consultation on the Warm Home Discount scheme allowance methodology in the default tariff cap

Octopus Energy agrees that WHD scheme costs are likely to increase in the 2022/23 scheme year and understand that the true cost will not become apparent until after Cap 8 has been finalised. We also highlight that consumers already face a significant increase in energy prices from April 2022. And that the cost to suppliers of implementing the WHD will not significantly affect suppliers until cap 9, with suppliers being able to smooth their costs strategically.

We therefore ask Ofgem to consider changing its thinking on the WHD scheme allowance methodology. The proposal in this consultation gives suppliers an upfront cash boost with an expectation that if overly generous Ofgem will rectify this through Cap 9 adjustments. We would rather Ofgem enable the certain cost to be collected in Cap 8 (by providing the same cap adjustment as in Cap 6) and then use Cap 9 to allow the difference to be collected. This will smooth costs for consumers and prevent overcollection in Cap 8.