

To: All holders of a gas and/or  
electricity supply licence

Email: [pricecapchanges@ofgem.gov.uk](mailto:pricecapchanges@ofgem.gov.uk)

Date: 16 May 2022

## **Domestic Gas and Electricity (Tariff Cap) Act 2018**

### **Notice of statutory consultation on a proposal to modify the standard licence condition 28AD of all Gas and Electricity Supply Licences (the "Notice")**

1. The Gas and Electricity Markets Authority ('the Authority')<sup>1</sup> proposed to modify the standard conditions of all gas and electricity supply licences granted or treated as granted under section 6(1)(d) of the Electricity Act 1989 and section 7A(1) of the Gas Act 1986, pursuant to section 1 of the Domestic Gas and Electricity (Tariff Cap) Act 2018 ('the Act'), by amending Standard Licence Condition (SLC) 28AD (Regulation of charges for Domestic Customers supplied under certain Domestic Supply Contracts), namely the conditions which impose a cap on all standard variable and default rates that may be charged by the holders of supply licence for the supply of gas or electricity under domestic supply contracts ('the tariff cap conditions'), subject to section 3 of the Act (exemptions from the tariff cap).
2. The Authority proposes to amend two paragraphs to SLC28AD of all the gas and electricity supply licences.
3. Currently, the licence conditions set out that the 28AD Charge Restriction Period run from the beginning of April in one year to 30 September of the same year and the

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<sup>1</sup> The terms "the Authority", "we" and "us" are used interchangeably in this document.

beginning of October in one year to 31 March the next year. This means each 28AD Charge Restriction Period lasts six months.

4. Additionally, they set out that the Authority must determine the Benchmark Maximum Charge (cap level) no later than the 5<sup>th</sup> working day of February and August for the respective 28AD Charge Restriction Period starting in April and October.
5. We are proposing modifications to SLC28AD of the Gas and Electricity Supply Licences to decrease the length of each 28AD Charge Restriction Period to three months, thereby updating the cap level 4 times per year. In addition, we also propose to reduce the approximate two-month period between setting the cap level and it taking effect to 25 working days. These modifications help mitigate growing volume risk caused by the current volatile market conditions.
6. This Notice is published alongside a consultation setting out our proposed modifications (set out in Appendices 1 and 2 below) to the Electricity and Gas Supply Licence. A detailed description of the reasons for and effects of this proposed licence modification can be found in the accompanying document to this Notice, which is available at: <https://www.ofgem.gov.uk/publications/price-cap-statutory-consultation-changes-wholesale-methodology>.
7. A copy of the proposed modifications and other documents referred to in this Notice have been published on our website (<https://www.ofgem.gov.uk>). Alternatively, you can request a paper copy by emailing [library@ofgem.gov.uk](mailto:library@ofgem.gov.uk).
8. Any representations with respect to the proposed licence modifications must be made on or before 14 June 2022 to Dan Norton, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU, or by email to [pricecapchanges@ofgem.gov.uk](mailto:pricecapchanges@ofgem.gov.uk).
9. We normally publish all responses on our website. However, if you do not wish for your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in electronic form so they can be placed easily on our website.
10. If we decide to make the proposed modifications, they will take effect not less than 56 days after the decision is published.

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Dan Norton

Duly authorised on behalf of the Gas and Electricity Markets Authority

16 May 2022

## **Appendix 1 – Draft of proposed changes to modify the standard licence conditions of all electricity supply licences.**

*Deletions are denoted with a strike-through and new text is denoted with double underlining*

### **Condition 28AD of the electricity supply licence**

[AMEND EXISTING PARAGRAPH]

28AD.19 For each Subsequent Charge Restriction Period, subject to paragraphs 28AD.20, and 28AD.21, and 28AD.21A ~~no later than the fifth Working Day of February in relation to a forthcoming 28AD Charge Restriction Period j starting on 1 April, or no later than the fifth Working Day of August in relation to a forthcoming 28AD Charge Restriction Period j starting on 1 October,~~ the Authority will, at least 25 working days before the start of a forthcoming 28AD Charge Restriction Period j:

- (a) determine the updated Benchmark Maximum Charges which shall apply for any forthcoming 28AD Charge Restriction Period *j* by calculating such values in accordance with paragraph 28AD.7;
- (b) in so determining the updated Benchmark Maximum Charges which shall have effect from the first day of any forthcoming 28AD Charge Restriction Period *j*, take into account any modification made to SLC 28AD, notwithstanding that any such modification may not have come into effect at the time of publication of the updated Benchmark Maximum Charges in accordance with paragraph 28AD.19(c), provided that any such modification has come into effect by no later than the first date of any forthcoming 28AD Charge Restriction Period *j*; and
- (c) publish such Benchmark Maximum Charges so calculated in the format specified in Annex 6.

[AMEND EXISTING PARAGRAPH]

28AD.40 In this condition:

**'28AD Charge Restriction Period'** means a period, between 1 January 2019 and 31 December 2023, either:

- the First Charge Restriction Period;
- the Mid Charge Restriction Periods;
- a Subsequent Charge Restriction Period beginning on 1 January of each year and ending on 31 March of the same calendar year; or
- a Subsequent Charge Restriction Period beginning on 1 April of each year and ending on 30 ~~September~~ June of the same calendar year; or

- a Subsequent Charge Restriction Period beginning on 1 July of each year and ending on 30 September of the same calendar year; or
- a Subsequent Charge Restriction Period beginning on 1 October of each year and ending on 31 ~~March~~ December of the ~~subsequent~~ same calendar year; ~~or~~
- ~~the Final Charge Restriction Period.~~

**'Mid Charge Restriction Periods'** means the six-month periods beginning on 1 April 2019 and ending on 30 September 2022;

**'Subsequent Charge Restriction Period'** means any 28AD Charge Restriction Period which is not the First Charge Restriction Period nor a Mid Charge Restriction Period;

## Appendix 2 – Draft of proposed changes to modify the standard licence conditions of all gas supply licences.

*Deletions are denoted with a strike-through and new text is denoted with double underlining*

### Condition 28AD of the gas supply licence

[AMEND EXISTING PARAGRAPH]

28AD.18 For each Subsequent Charge Restriction Period, subject to paragraphs 28AD.19, 28AD.20 and 28AD.20A ~~no later than the fifth Working Day of February in relation to a forthcoming 28AD Charge Restriction Period j starting on 1 April, or no later than the fifth Working Day of August in relation to a forthcoming 28AD Charge Restriction Period j starting on 1 October,~~ the Authority will, at least 25 working days before the start of a forthcoming 28AD Charge Restriction Period:

- (d) determine the updated Benchmark Maximum Charges which shall apply for any forthcoming 28AD Charge Restriction Period *j* by calculating such values in accordance with paragraph 28AD.7;
- (e) in so determining the updated Benchmark Maximum Charges which shall have effect from the first day of any forthcoming 28AD Charge Restriction Period *j*, take into account any modification made to SLC 28AD, notwithstanding that any such modification may not have come into effect at the time of publication of the updated Benchmark Maximum Charges in accordance with paragraph 28AD.19(c), provided that any such modification has come into effect by no later than the first date of any forthcoming 28AD Charge Restriction Period *j*; and
- (f) publish such Benchmark Maximum Charges so calculated in the format specified in Annex 6.

[AMEND EXISTING PARAGRAPH]

28AD.33 In this condition:

**'28AD Charge Restriction Period'** means a period, between 1 January 2019 and 31 December 2023, either:

- the First Charge Restriction Period;
- the Mid Charge Restriction Periods;

- a Subsequent Charge Restriction Period beginning on 1 January of each year and ending on 31 March of the same calendar year; or
- a Subsequent Charge Restriction Period beginning on 1 April of each year and ending on 30 ~~September~~ June of the same calendar year; or
- a Subsequent Charge Restriction Period beginning on 1 July of each year and ending on 30 September of the same calendar year; or
- a Subsequent Charge Restriction Period beginning on 1 October of each year and ending on 31 ~~March~~ December of the ~~subsequent~~ same calendar year; ~~or~~
- ~~the Final Charge Restriction Period.~~

**'Mid Charge Restriction Periods'** means the six-month periods beginning on 1 April 2019 and ending on 30 September 2022;

**'Subsequent Charge Restriction Period'** means any 28AD Charge Restriction Period which is not the First Charge Restriction Period nor a Mid Charge Restriction Period;