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**“Price cap: Call for input of our approach to reflecting potential changes to BSUoS charges in the price cap” – So Energy Response**

Dear Daniel,

So Energy is a leading energy supplier providing great value 100% renewable electricity to homes across England, Wales and Scotland. We have consistently been recognised by our customers and the wider industry for our outstanding customer service since we were founded in 2015, including being a Which? Recommended Provider in 2020. In August 2021, So Energy merged with ESB Energy, and our combined business now supplies over 300,000 domestic customers. As one of the last challenger suppliers left in the market, and one that is backed by ESB’s resources and expertise, So Energy is able to provide a unique view on the energy market and future reform.

We welcome the invitation to provide our opinion on Ofgem’s approach to reflecting potential changes to BSUoS charges in the price cap. In line with our consultation response, we see the value in moving from a variable volumetric BSUoS charge to an ex-ante fixed volumetric BSUoS tariff.

So Energy support the need to have an appropriate methodology for allocating the adjustment to the BSUoS tariff to account for the transition period (July 2022 – March 2023). We also support Ofgem’s minded to position to use actual data (Option A) in order to recover those charges – which involves using actual data to ensuring any surplus or shortfall be reflected from cap period 10a (April 2023-June 2023) and again in using actual data for the rest of the period (January 2023 to March 2023) to calculate the surplus or shortfall to be reflected in cap period 11a (October 2023- December 2023). We then would support Option B (Float and true up method) as the next favourable approach, with Option C (deferred method – implement transitional adjustment after the actual data, post march 2023, with one adjusted cap in October 2023) being our least preferred approach.

So Energy, do not agree with the initial view that ‘historical BSUoS charges (incurred outside of the cap periods through the cap) should be offset in the transitional arrangement<sup>1</sup>’ for the following reasons:

1. Increasing Customers on Price Cap in Recent 18 Months.

The market has undergone significant change and over the last 18 months there has been a huge transition of customers onto SVTs and the price cap. BSUoS rates have out-turned higher than forecasted under the price cap and therefore the argument that suppliers benefitted from over-recovery does not hold true. There has been the greatest under-recovery in recent months when there have been the most customers on price cap rates.

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<sup>1</sup> Ofgem, Price cap: Call for input of our approach to reflecting potential changes to BSUoS charges in the price cap, P.5, <https://www.ofgem.gov.uk/publications/price-cap-call-input-our-approach-reflecting-potential-changes-bsuos-charges-price-cap>

2. Ofgem were acutely aware of suppliers the cost to serve.

In Ofgem's, Default Tariff Cap – Decision 2018, Ofgem state 'We consider customer protection to be related to the extent to which the customers pay a price that fairly reflects efficient underlying costs. The cap will ensure that any changes in the prices customers pay will only be as a result of justified changes in the underlying efficient cost to serve.<sup>2</sup>'

Since the inception of the Price Cap, the BSUoS charging regime has not changed and therefore would have been considered in the statutory consultation released 2 months prior, those cost to serve were listed in over 11 appendix and 5 annex. Specifically, we recall annex 3<sup>3</sup>, which specifically address network cost allowance methodology for electric – TNUoS, DUoS and importantly BSUoS.

It is our understanding that at no point, did suppliers recover any charges (BSUoS or otherwise), without it being full understood and accounted for in Ofgem's Price Cap.

3. Beneficiaries no longer in the market.

Hypothetically, if suppliers had benefited, many of the beneficiaries are no longer in the market due to unsustainable pricing techniques and severe market conditions. We would be concerned as to how Ofgem would try to recover these costs at a time when Ofgem is implementing new market condition to try establish a more reliable energy market with the help of the governments introduction EPC/EBSS.

4. Market Share

The market has undergone significant change, fewer suppliers means wider spread of market share. If an offsetting process was applied, this would have disproportionate cost implication on suppliers who have acquired customers through SoLR or seen significant growth over the past few years.

We hope you find this input helpful. Please don't hesitate to contact us should you require any additional information or clarity on our views.

Yours Sincerely,

Paul Fuller  
Head of Regulation



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<sup>2</sup> Ofgem, Default Tariff Cap – Overview Document, 4.14, P45,  
<https://www.ofgem.gov.uk/publications/default-tariff-cap-decision-overview>

<sup>3</sup> Ofgem, Annex 3 - Network Cost Allowance Methodology Elec, tab 2c,  
<https://www.ofgem.gov.uk/publications/default-tariff-cap-overview-document>