

Centrica plc
Regulatory Affairs
Millstream
Maidenhead Rd
Windsor
SL4 5GD
www.centrica.com

Dan Norton,
Deputy Director Price Protection
Ofgem

26 January 2023

Sent by email to: retailpriceregulation@ofgem.gov.uk

Dear Dan,

Price cap: Treatment of inflation for transitional BSUoS adjustment

Thank you for your email of 20th January requesting feedback on the treatment of inflation when computing the transitional adjustment required for BSUoS.

We believe that to the extent that there is a reasonable argument for adjusting for inflation, the argument must be applied consistently to **both** the historic offset and the unrecovered BSUoS costs from Jan-22 to Mar-23.

A consistent approach would require either:

- both the historic offset and the unrecovered costs to be uplifted to a price base consistent with when the transitional adjustment will be recovered (2023/2024); or
- the historic offset uplifted to a price base consistent with the unrecovered costs and then the resulting adjustment (which would be in 2022/2023 prices) being uplifted to a price base consistent with when the adjustment will be recovered (2023/2024).

In both cases, this would require the use of a forecast of inflation for 2023/2024, which we recommend could be sourced from the most recent Office for Budget Responsibility forecast.

It would be inconsistent and illogical to uplift only the historic offset.

Please contact George Moran in the first instance if you have any questions.

Yours sincerely,

Kirsty Ingham
Head of Industry Transformation,
Governance & Forecasting
Centrica Regulatory Affairs & Policy

George Moran
Senior Regulatory Manager, Industry
Transformation, Governance & Forecasting
Centrica Regulatory Affairs & Policy