

Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

Email: retailpriceregulation@ofgem.gov.uk

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Price Cap – Consultation on the true-up process for COVID-19 costs

EDF is the UK's largest producer of low carbon electricity. EDF operates low carbon nuclear power stations and is building the first of a new generation of nuclear plants. EDF also has a large and growing portfolio of renewable generation, including onshore, offshore wind and solar generation, and energy storage. We have around six million electricity and gas customer accounts, including residential and business users. EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

EDF continues to support Ofgem's review of the costs suppliers are experiencing as a result of the economic impacts driven by COVID-19. We welcome the opportunity to respond to Ofgem's consultation on the true-up process for COVID-19 costs.

General Approach

As per our response to the working paper on the same topic, EDF is supportive of Ofgem's proposal to implement a cumulative bad debt charge approach and use data gathered via a request for information ('RFI') to calculate any additional bad debt costs due to COVID-19. We have recently responded separately to the draft RFI proposed by Ofgem, where we have highlighted potential comparability issues that may arise as a result of the assumptions required to segment bad debt cost by tariff type and payment method. We can provide further information where required.

We are supportive of Ofgem using a weighted average benchmark for these costs, given the non-efficiency factors that would have driven supplier costs.

We are also supportive of Ofgem's proposal to not implement a sharing factor. However, this should be the case even without the current market circumstances. As we have raised previously, there are many costs that are absorbed by suppliers on an on-going basis, many COVID-19 costs were absorbed during the pandemic and even more are being absorbed during the on-going market crisis. For the default tariff cap specifically, Ofgem must have regard to ensuring suppliers who operate efficiently are able to finance their activities, which cannot be not achieved if a sharing factor is implemented.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Steven Eyre or myself. I can confirm that this letter may be published on Ofgem's website.

Yours sincerely

A handwritten signature in black ink that reads "J Cole".

Jon Cole
Senior Manager, Customers Policy and Regulation