



Making a positive difference  
for energy consumers

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Date: 20<sup>th</sup> January 2023

Dear Stakeholder,

Thank you for your response to the consultation<sup>1</sup>. We plan to publish the decision in February 2023.

In our consultation, we said that when moving from an ex-post to an ex-ante BSUoS costs recovery mechanism, suppliers might fail to fully recover the BSUoS charges incurred between January 2022 and March 2023 through future price caps. Therefore, we said we might need to implement a transitional adjustment.

If we needed to implement a transitional adjustment, we proposed using an 'Offsetting' approach to calculate this adjustment, deducting historical BSUoS charges, incurred prior to the cap's introduction (July 2017 to December 2018) and recovered under the early cap periods (January 2019 to March 2020), from charges incurred between January 2022 and March 2023.

In our consultation, we did not address whether inflation would be considered when computing the transitional adjustment in our consultation. We are **now considering** this when calculating a potential transitional adjustment. Specifically, whether the historical offset should be adjusted by the Consumer Prices Index including owner occupiers' housing costs (CPIH), in order to maintain consistency with how we calculate other ex-post adjustments within the price cap.

We welcome your feedback in this area, and would appreciate it if you could provide any representations by 1pm on Thursday 26 January 2023.

Kind Regards,

Retail Price Regulation

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<sup>1</sup> Ofgem (2022), Price cap: Consultation on reflecting potential changes to BSUoS charges in the price cap. <https://www.ofgem.gov.uk/publications/price-cap-consultation-reflecting-potential-changes-bsuos-charges-price-cap>