

Marcus McPhillips,
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Ofgem
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E14 4PU

23 December 2022

Dear Marcus

NOVEMBER 2022 CONSULTATION ON APPROACH TO REVIEWING THE SMNCC ALLOWANCES

We are pleased to respond to your consultation on your future approach to reviewing the non-pass-through (NPT) SMNCC allowances in the price cap.

Ofgem is proposing to:

- a) Indefinitely pause annual reviews of the SMNCC methodology but keep the values reflective of current data by making annual updates to a pre-defined list of inputs used in the modelling of smart metering costs (including inputs derived from Annual Supplier Return (ASR) data, an updated rollout profile and the latest actual and forecasted inflation values).
- b) Publish 12 months' worth of final non-pass-through SMNCC values in August each year, in line with current practice, but to not publish any provisional values for cap periods beyond this 12-month period (ie October to September) reflecting the recent removal of a fixed end date to the cap.
- c) Consider and consult on a longer-term approach for SMNCC as part of a future review of the operating cost allowance.

In the time available to respond to this consultation (alongside five other price cap related consultations) we have not been able to review it as thoroughly as we would have liked. However, to the extent to which we have been able to consider it, we have not identified any serious concerns with Ofgem's proposals, and we welcome the intent of reducing the burden for Ofgem and stakeholders in reviewing the NPT SMNCC allowance going forwards.

Ofgem says (page 5) that 'Should unforeseen issues arise that generate clear and material systematic errors in our approach to SMNCC allowances then temporarily returning to an annual review style process would remain an option.' We very much agree with this point and would welcome a firm commitment from Ofgem that if such unforeseen issues arise Ofgem will move swiftly to an annual review style process. A

similar principle should apply if pre-existing errors in the methodology come to light which have a material impact.

Yours sincerely,

A handwritten signature in blue ink that reads "Richard Sweet". The signature is written in a cursive, flowing style.

Richard Sweet
Director of Regulatory Policy