

Dan Norton,
Deputy Director, Price Protection
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

3 January 2023

Dear Dan

PRICE CAP – PROGRAMME OF WORK

Thank you for your open letter of 25 November setting out your proposed programme of work (PoW) on the price cap.

We welcome publication of the PoW and can confirm that it appears to include most of the areas we were expecting.

Our main comments relate to the proposed timing of work items, and in this context, it is difficult to comment on proposed timings without understanding what the dates refer to, eg is it work commencing, decision, or implementation? We would encourage Ofgem to consider adding a Gantt chart in future versions of the PoW.

We are concerned that two items in particular seem to be unduly delayed:

- Review of debt-related costs allowance (Winter 2023/24) – We believe market monitoring and data gathering should start from early 2023, so that Ofgem is in a position to step in if necessary and provide a ‘float’ type uplift to provide partial mitigation of bad debt costs for suppliers ahead of more robust data on debt becoming available.
- Review of the additional wholesale allowances (shaping, imbalance, transaction costs and uncertainty) (Summer 2024). – We understand Ofgem’s need to prioritise and recognise that it may not be possible to complete this exercise until Summer 2024. However, we would note that this potentially raises complex issues and there may be a relatively long lead time to gather and analyse the necessary data. We would therefore encourage Ofgem to start work on this well ahead of Summer 2024.

We are pleased to see an item on ‘new energy efficiency schemes’ (Spring 2023) and would emphasise the importance of keeping ECO cost recovery under review and not allowing this to slip.

We understand that the intention is for the PoW to be a living document which is regularly updated to give stakeholders a common view of Ofgem's priorities and plans. We welcome this intention, and think it may be helpful for Ofgem to commit to sharing a regular update of the programme of work with stakeholders (for example, at least quarterly and as soon as possible after any significant change). We look forward to providing further comments as the situation evolves.

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