

Centrica plc  
Regulatory Affairs  
Millstream  
Maidenhead Rd  
Windsor  
SL4 5GD  
[www.centrica.com](http://www.centrica.com)

Rebecca Barnett  
Interim Director, Networks  
Ofgem  
10 South Colonnade  
Canary Wharf  
London E14 4PU.

26 September 2023.

Sent by email to: [RegFinance@ofgem.gov.uk](mailto:RegFinance@ofgem.gov.uk)

Dear Rebecca,

**Call For Input - Impact of high inflation on the network price control operation**

Thank you for the opportunity to respond to the above call for input. This is a non-confidential response on behalf of the Centrica group.

The leveraging effect in relation to the cost of debt, caused by out-turn inflation being higher than that assumed when a network price control is set, has been accurately characterised.

We believe the impacts of high inflation should be further investigated, especially given the additional real returns that consumers are required to fund simply because of higher out-turn inflation. The investigation should include the important issue of the symmetry of the protections offered to both network companies and consumers if out-turn inflation materially deviates from the long-run assumption. If the protections offered are deemed to be asymmetric in favour of network companies, it is also necessary to consider where there is an explicit commensurate benefit to consumers that justifies the asymmetry.

Careful consideration should be given to the degree of regulatory intervention that is necessary, subject to the outcome of the further investigation. As a minimum, we would expect adequate enduring reporting and monitoring arrangements that capture the cumulative impact of high inflation over time are implemented.

We hope that you find this response useful. Please do not hesitate to contact me if you would like to discuss any aspect of this response.

Yours sincerely,

Gregory Edwards  
Network Regulation Manager  
**Centrica Regulatory Affairs, UK & Ireland**

Page 1 of 1