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16 February 2024

Dear Dan

**Consultation on the timing of price cap inputs for capacity market cost allowance, and the introduction of proposed policy changes relating to energy intensive industries (EII)**

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 five and a half 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 welcomes the opportunity to provide comments on Ofgem proposals for dealing with late or uncertain inputs to the price cap calculation for April 2024 relating to Capacity Market (CM) and planned changed to the Energy Intensive Industry (EII) exemption scheme. Overall. EDF largely agrees with the proposals which are sensible approach to dealing with the uncertainty around some of the inputs for the price cap methodology.

However, in terms of the impacts for the Feed in Tariff (FiT) allowance, the consultation suggests EII exemptions have been removed for the FiT scheme from April 2023, this is incorrect. It is GoO exemptions that have been removed from April 2023 similarly to the CfD scheme. We expect FiT allowances to increase to cover 100% EII exemptions but due to the lagged nature of cost recovery this should not impact the SVT cap rates until Q4-24.

**Additional Price Cap Adjustments**

*CfD Allowance:*
Despite Ofgem previously consulting on the CfD allowance under the price cap, we remain concerned that there are a number of risks that could lead to higher outturn CfD costs than assumed by LCCC for the cap allowance. These costs/risks could be accounted for by introducing an ex-post reconciliation. Ofgem at the time of the 2018 cap decision set BSUoS charges on an ex-post basis as the charges were particularly volatile and the forecasts were

not sufficiently accurate. Similarly, FiT costs in the cap methodology remain ex-post in part due to dependency on uncertain solar and wind outturn levels. We consider these arguments are even more relevant for the CfD allowance under the price cap where potentially CfD costs are more volatile than BSUoS costs were in 2018 and FiT costs today. Consequently, we strongly urge Ofgem to reconsider adopting an alternative approach to amending the CfD allowance that better reflects the risks of LCCC forecasts being materially different to outturn rates and the ability of suppliers to recover/payback their CfD costs/benefits under the cap.

*EII Supplier Levy:*
We also would welcome early clarity from Ofgem on the impact of the new Network Charging Compensation scheme (NCC), and the accompanying EII Supplier Levy and how this will appropriately flow through into the price cap inputs moving forward.

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

John Mason
**Senior Manager (Price Regulation and Market Dynamics)**