Report

To: all stakeholders

Email: priceprotectionpolicy@ofgem.gov.uk

Date: 25 March 2024

Price cap – Programme of work 2024/25

Following the introduction of the default tariff cap ('the cap') in January 2019, we have continued to update the methodology and adjust the cap level, where appropriate, so it continues to protect default tariff customers and reflect a fair price for supplying energy.

This letter sets out an update to our programme of work, outlining work we intend to carry out over the next 1-2 years. It is important that we set out a clear and transparent programme of work to manage expectations on the work we intend to carry out and provide confidence in our setting of the cap. This is particularly important as the cap continues to be in place for a longer period of time than intended when it was introduced.

In this letter, we set out the wider strategic context and our work to support customers in the retail market, background on the framework for setting and updating the cap, key updates in workstreams since the previous programme of work update and a table of workstreams with intended delivery dates. This programme of work also gives an opportunity for stakeholders to raise areas they think we should be reviewing.

In the event of further shocks that require consequential changes to the cap, we may reprioritise the work we carry out. Therefore, this programme of work is subject to further change to ensure we remain flexible and responsive to future challenges in the market and changes in our priorities. However, where possible, we intend to continue our work set out in this letter.

Strategic context

Energy prices are falling following two years of extraordinary price rises. We most recently announced that the headline cap level will fall from April 2024 to £1,690, a 12% decrease compared to the current level. However, prices remain higher than before the crisis and even when accounting for wage growth over the period, energy accounts for a much higher share of household income than before the crisis.

We have seen an increase in cost of living pressures driven by more than just energy costs, which have contributed to financial difficulties for customers, particularly those in vulnerable situations. Government support helped to mitigate affordability issues while the gas crisis was at its height, but we have nevertheless seen debt levels rise as people struggle to meet the costs of higher bills. Our latest data shows there are £3.1 billion of debt and arrears across the energy market (as of December 2023), an increase of over £1 billion since the start of 2023.

Another important context is the substantial changes we have made to the market in the last year to support customers, which are:

- New customer services standards for energy suppliers aimed at making it easier for customers to contact their energy supplier and help support those who may be struggling with their bills this winter.[1]
- A voluntary pause on forced prepayment meter installations and a market compliance review focused on forced installation and remote mode switches.
- Introducing new rules for suppliers in relation to involuntary prepayment meter installations.[2] We have also set out our expectations to energy suppliers meeting restart conditions for involuntary installations.[3]
- Levelising standing charges between direct debit and prepayment meter customers to reduce the impact of otherwise higher standing charges on prepayment meter customers and the impact this can have on debt during low or no consumption periods. This will ensure there is no gap in support for prepayment meter customers, following the end of the Energy Price Guarantee (EPG) at the end of March.

[1] Ofgem (2023), Consumer standards decision
https://www.ofgem.gov.uk/publications/consumer-standards-decision
[2] Ofgem (2023), Involuntary prepayment meter decision
https://www.ofgem.gov.uk/publications/involuntary-prepayment-meter-decision
[3] Ofgem (2024), Expectations to energy suppliers on prepayment meter restart conditions
https://www.ofgem.gov.uk/publications/ofgem-sets-out-prepayment-meter-expectations-energy-bosses-edf-octopus-and-scottish-power-meet-regulators-restart-conditions

Ofgem’s Multiyear Strategy and Forward Work Programme for 2024/25 are due to be published by the end of March 2024. This Strategy will set out our priorities for the coming years, across both our regulatory work and our work administering low carbon energy and social schemes on behalf of the government; and additionally, how we will strengthen Ofgem as an organisation to deliver on our objectives. The Forward Work Programme will set out how we plan to use our resources in 2024/25, to deliver against our new Strategy.

Both publications will set out our regulatory work across three strategic priorities: shaping a retail market that works for consumers, enabling infrastructure for net zero at pace and establishing an efficient, fair and flexible energy system. Our work on the price cap fits into the first of these strategic priorities, grouped within an objective to ensure fair prices.

In the retail market, we are also carrying out reviews in a number of key areas to support customers:

- Standing charges – The review considers whether we need to reform our approach to standing charges in the retail market. We are currently in the process of reviewing responses to our standing charges call for input, which closed in January 2024.[4]
- Debt and affordability – We have published a call for evidence on debt and affordability across energy customers.[5] The call for input sets out the challenges affordability and debt pose to the current and future market and that debt must be managed in a compassionate and sustainable way. We are seeking stakeholder feedback to help us develop options which will ensure a sustainable, investible market that protects and supports those in debt and struggling with their bills.
- Price protection – There are a number of ongoing reviews and workstreams across the price cap and wider price protection. We discuss these in more detail below.

In light of these changes to the external market and regulatory system, as well as our ongoing reviews, we feel this is an appropriate time to give an update on the price cap programme of work. The cap will need to continue to change as the market continues to evolve.

This programme of work sets out our forward plan for the coming couple of years to show how our ongoing work on the cap fits in with wider Ofgem strategic objectives. Below, we

[4] Ofgem (2023), Standing charges – call for input
https://www.ofgem.gov.uk/publications/standing-charges-call-input
[5] Ofgem (2024), Affordability and debt in the domestic retail market – a call for input
https://www.ofgem.gov.uk/publications/affordability-and-debt-domestic-retail-market-call-input

also provide a summary of key updates across the cap since the previous programme of work publication.

Cap legislative framework

The cap was introduced via the Domestic Gas and Electricity (Tariff Cap) Act 2018 ('the Act') on 1 January 2019.[6] The cap was originally set to end in December 2023. However, since the cap's introduction, the government introduced the Energy Prices Act 2022, which amongst other things removed the fixed end date of the cap.[7]

Our primary consideration, when exercising our price cap functions under the Act (eg setting and implementing the cap), is the protection of existing and future customers who pay by standard variable or default tariffs (collectively referred to as default tariffs). In setting the cap, we must have regard to a number of factors, including the need to:

- Create incentives for supply licence holders to improve their efficiency.
- Ensure supply licence holders who operate efficiently are able to finance their activities.
- Set a cap that enables licence holders to compete effectively for domestic supply contracts.
- Maintain incentives for domestic customers to switch to different domestic supply contracts.
- Set the cap at a level that takes account of the impact of the cap on public spending.

The legislative framework for the cap also sets out that we can only set one cap across all suppliers in the market. This is a key feature of the cap that feeds into both the design of the cap and in particular when considering decisions on how we benchmark costs and allocate them across groups of customers.

Consumer interest framework

The cap legislative framework helps us to consider various trade-offs in outcome when setting the cap and provides helpful context when determining what work we progress. Alongside the legislative framework, we are also mindful of the consumer interest framework.

[6] Domestic Gas and Electricity (Tariff Cap) Act 2018
https://www.legislation.gov.uk/ukpga/2018/21/enacted
[7] Energy Prices Act 2022 (2022), Schedule 3
https://www.legislation.gov.uk/ukpga/2022/44/enacted

The consumer interest framework is at the heart of the work Ofgem does, it allows us to ensure we are clear what our duty to protect customers means in practice and identify trade-offs between different customer interests. The framework sets out four key objectives: Fair prices, Quality & Standards, Low Cost Transition and Resilience and is a key part of Ofgem's overarching Forward Work Programme.

The cap fits into the fair prices objective and we are particularly mindful of the consumer interest framework when making policy decisions.

Since setting the cap, we have continued to monitor the impacts it has on customers and the market. We have made changes to the methodology where appropriate (eg moving to quarterly cap updates to reduce risks from the volatile gas prices) and where an impact has been material and systematic, we have made adjustments to the cap to ensure we have a resilient market where suppliers are able to support customers. The legislative framework and consumer interest framework have been a core part of setting out what workstreams we intend to progress and prioritise.

Updates since the previous programme of work

We published our previous update on the programme of work on 18 April 2023.[8] In this document, we highlighted the prioritisation of a number of operating cost related workstreams (operating cost review, levelisation of payment methods and debt related cost review), de-prioritisation and delay of the additional wholesale allowance review and delay in the Earnings Before Interest and Tax (EBIT) review. In the sections below, we set out where we have delivered these workstreams or are continuing to progress them.

Delivered workstreams

We have delivered a number of workstreams over the last year, we provide the key updates in this subsection, noting that this is not an exhaustive list.

In May 2023, we carried out a number of changes to the standard licence condition 28AD of the gas and electricity supply licences, which set out how the cap operates.[9] Additionally, we extended the date ranges in the models that underpin the cap methodology. These changes implemented the removal of the December 2023 cap end date as set out in Schedule 3 of the Energy Prices Act 2022.

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[8] Ofgem (2023), Price cap – programme of work update
https://www.ofgem.gov.uk/publications/price-cap-programme-work-update
[9] Ofgem (2023), Price Cap – Decision on removal of the cap end date from licence conditions
https://www.ofgem.gov.uk/publications/price-cap-decision-removal-cap-end-date-licence-conditions

In August 2023, we published our decision on the EBIT review. We decided to increase the cost of capital assumption in the allowance (from 10% to 12.3%) to reflect that systematic risks faced by energy suppliers are higher than those estimated in 2018 when the cap was designed.[10] The changes introduced through this decision work in tandem with the enhanced financial resilience responsibility principle to address financial resilience and send a signal to attract needed investment.

On 23 February 2024, we published three key decisions on levelisation of payment methods, our review of additional debt-related costs and our review of additional wholesale costs.

We have introduced levelisation of standing charges between direct debit and prepayment meter customers (phase 1).[11] This means that prepayment customers, who at times are unable to switch payment methods and more likely to be in vulnerable situations, will continue to be supported following the end of the EPG at the end of March 2024.

To conclude the first stage of our debt-related cost review, we have introduced a float[12] adjustment from April 2024.[13] The adjustment represents a £28 increase to the cap over April 2024 to March 2025, to reflect the greater historical additional debt-related costs incurred from April 2022 to March 2024 compared to what was allowed for in the cap.[14] The additional allowance will allow suppliers to recover their efficiently incurred costs and enable them to provide immediate support to customers who are struggling to pay their bills and effectively manage their debt.

The third decision we published was a conclusion to our review of additional wholesale costs.[15] The review sought to compare wholesale costs and allowances between October 2022 and September 2023. Following our analysis of the evidence, we decided to not make an adjustment because wholesale costs over the period did not systematically differ from the allowances.

[10] Ofgem (2023), Amending price cap methodology for Earnings Before Interest and Tax (EBIT) allowance decision https://www.ofgem.gov.uk/publications/amending-price-cap-methodology-earnings-interest-and-tax-ebit-allowance-decision
[11] Ofgem (2024), Decision on adjusting standing charges for prepayment customers https://www.ofgem.gov.uk/publications/decision-adjusting-standing-charges-prepayment-customers
[12] Under a float and true-up approach, we set an initial adjustment amount (which we refer to as the 'float'), this represents our best estimate at the adjustment using the data available. We then intend to carry out a 'true-up' which considers whether the initial float requires further adjustment using updated data.
[13] Ofgem (2024), Energy price cap: additional debt costs review decision https://www.ofgem.gov.uk/publications/energy-price-cap-additional-debt-costs-review-decision
[14] The £28 is calculated at typical domestic consumption values (2.7 MWH electricity and 11.5 MWH gas)
[15] Ofgem (2024), Energy price cap additional wholesale costs decision https://www.ofgem.gov.uk/publications/energy-price-cap-additional-debt-costs-review-decision

April 2025 package of workstreams

For our next phase of work, we aim to deliver the following three inter-related workstreams by April 2025: levelisation of bad debt between direct debit and standard credit customers (phase 2), the operating cost review and a true-up of the debt-related cost adjustment.

These workstreams are already planned for and in train, they were set out in our previous programme of work. We have decided to prioritise continuation in these areas because debt continues to be a major concern in the current market and we have set out increased expectations on consumer standards, particularly how customers in debt are treated. The three workstreams outlined in this package all interact with how debt is factored into the cap allowances.

The workstreams may also interact with the reviews we are carrying out (outlined earlier in the letter), we'll ensure any policy making is joined up across the areas. For example, when considering any options that impact the balance of charges between the standing charge and unit rate in the cap, we will look to prioritise options that align with our wider review of standing charges.

Levelisation (phase two) - Subject to further consultation, discussions with industry and conclusions of the operating costs and bad debt reviews, Phase two of levelisation intends to introduce levelisation of debt-related costs between standing credit and direct debit customers, providing a more equal balance of bad debt allocation in the cap. Alongside this, we also intend to introduce a unit rate reconciliation, which will help reduce distortive impacts on particular suppliers with non-standard customer bases.

The key dependency on the other two workstreams is in relation to the bad debt allowance in the cap. The levelisation calculation would intend to use the bad debt allowance as an input to calculate the levelisation rates subject to further consultation. There are areas that may change the overall allowance for bad debt in the cap. The additional debt-related cost true-up may change the bad debt allowance in relation to the float adjustment we provided from April 2024. Whereas the operating cost review may impact the enduring bad debt allowance in the cap. We intend to consult further on the introduction of debt-related cost levelisation between standard credit and direct debit this summer.

Operating cost review – We are continuing to progress the operating cost review, which covers a number of different components in the price cap including core supplier operational costs (eg metering and customer contact), the differences between payment methods (eg debt-related costs which drive the difference between direct debit and standard credit), pass-through industry charges (eg Elexon and Xoserve charges) and transitional costs for rolling out smart meters. The majority of the operating cost allowance is set using 2017 data and indexed by inflation or set to scale with the cap. We have not reviewed these costs since setting the cap and consider this is an appropriate time to do so given changes in the market and future changes in policy.

Alongside reviewing these areas of the cap and considering updates to the allowance, we intend to consider the stringency at which we benchmark costs across the market and how we allocate these costs across different groups of customers (eg payment methods and consumption levels). Levelisation will feed into how we set the cost allocation between payment methods (eg our willingness to reallocate costs between direct debt and standard credit for bad debt will be informed by our position on phase two levelisation).

Setting these allowances will change the payment method differentials in the cap, which will feed into the levelisation calculations for both phases. We expect to publish a policy consultation covering the key options for the operating cost review in April 2024.

Additional debt-related cost true-up - The true-up is the third complementary workstream aimed for the April 2025 package; there are three aspects to this workstream. Firstly, for the true-up review we will use further data as it becomes available to consider whether the float we provided for additional debt-related costs over April 2022 – March 2024 is appropriate, or whether we should make further adjustments. Secondly, we will also be able to consider if any interim adjustments may be appropriate for the period up to April 2025 (ie until the operating cost review is completed) once we have gathered more data. Lastly, we will consider whether to extend the float provided for Additional Support Credit beyond October 2024 when the allowance is currently due to end. In addition to our work on debt in the cap, we also monitor the support suppliers are providing customers more widely to ensure customers are treated fairly. For example, we are monitoring the amount of additional support credit suppliers provide their prepayment meter customers.

The true-up considers costs associated with an historical period and the operating cost review considers an enduring allowance on from April 2025. Both areas will consider similar key questions (eg the impact of customer bases in explaining debt variations between suppliers). We will look to align our findings and positions between the two areas to the extent it is appropriate to do so.

The interaction between the debt-related cost true-up and levelisation phase two is similar to that of the operating cost review and levelisation.

In summary, the key link between these three workstreams is how we allocate costs between groups of customers. There is the potential to achieve meaningful change in how these costs are recovered for a new phase of cap from April 2025. We will consider the policy options in the operating cost review and the debt-related cost true-up in light of levelisation phase 2. For example, we may be more comfortable with a cost reflective allocation given levelisation will redistribute those costs (noting the challenges and subjectivity in identifying what is cost reflective). Similarly, phase 2 levelisation will use the inputs of the other two workstreams to reallocate costs across payment methods and reconcile costs across suppliers.

Future price protection

Since the cap was introduced in 2019, the market has gone through some turbulent times such as COVID-19, the gas crisis and the recent rise in debt. These events have highlighted the key role the cap plays in customer protection, for example smoothing some of the sharp price rises during the gas crisis. However, it has also highlighted some of the challenges and risks the cap brings to the market. As we move toward a new retail market, it is a good time to consider how the cap may need to adapt in future – this may include strategic areas such as: (1) simplifying the approach to setting the cap, (2) enabling greater flexibility in pricing (eg in light of MHHS) and (3) achieving fair prices for customers.

A key area of work for us over the coming year will be to consider whether the current approach to price protection is appropriate and whether we need to adapt our approach to accommodate moving to net-zero and the future retail market. Alongside this programme of work, we have also published a discussion paper on future price protection. This follows DESNZ's recent publication on default tariff arrangements and covers some similar themes as our affordability review (eg the role for targeted price protection).[16]

Through our future price protection work, we intend to look to evaluate the impact of the current cap in context of the current and future market and explore options for evolving price protection. We want to stimulate debate on whether there is a case for changing the current cap and whether there are alternatives that will better protect consumers.

Wholesale allowance review

With the introduction of Market Wide Half Hourly Settlement (MHHS) and our new duty on net-zero, we will need to consider how the cap can help to facilitate the market of the

[16] Default energy tariffs for households: call for evidence, DESNZ (2024) https://www.gov.uk/government/calls-for-evidence/default-energy-tariffs-for-households-call-for-evidence

future. With that in mind, alongside the future price protection work, we are also launching a new wholesale cost review workstream. The objectives of this workstream will be to ensure the wholesale allowances better reflect more recent data and current cap methodology and to develop functionality within the allowances to accommodate the impacts of MHHS. In particular we intend to review the existing additional wholesale allowances in the wholesale allowance component (eg shaping, imbalance, transaction costs), as these have not been reviewed since 2018. To accommodate MHHS we will consider what changes would be needed to set electricity wholesale allowances for more granular time periods (eg reviewing the electricity shaping allowance and peak/base load assumptions). This review will consider what we can do under the existing legislative framework for the cap.

While MHHS isn’t expected to be fully rolled out until the end of 2026, and the structure of the price cap is subject to change, we still consider it valuable to start exploring how wholesale allowances could be set to accommodate MHHS now. By starting this work early will we be able to move quickly should MHHS cause the current allowances to be unsuitable. Equally importantly, it will allow us to develop the analysis needed to appraise some of the future market-wide cap options under consideration – such as a static Time of Use cap or multiple bottom-up caps based on consumption profiles.

In addition, we also intend to review the October 2022 wholesale changes (the move to quarterly cap updates and the backwardation allowance). These were significant changes at the time and we consider it valuable to evaluate the impact these changes had and whether the case for them, and their current design, holds under present and potential future market conditions.

These areas of review are a particular priority in considering how we can address some of the challenges the current cap approach presents and has manifested over the recent crisis. They’re also key in determining how best we can enable the transition to flexible demand and net-zero.

It is unlikely that changes from the future price protection and wholesale allowance review will be in place before October 2025 – we are treating these as more significant longer term changes.

Feedback from recent wholesale consultation

One of the allowances in the cap relates to the Contracts for Difference (CfD) scheme, which supports low carbon generation. We set this allowance based on actual data where available, and otherwise based on forecasts for the remainder of the scheme year. We take these forecasts from those published by the Low Carbon Contracts Company (LCCC).

We have revised the CfD methodology in the last couple of years through decisions in June 2022[17] and August 2023.[18] At the point of setting the cap, we take into account the latest forecasts made by LCCC, including adjustments to forecasts.[19] This helps suppliers to hedge the wholesale price risk for their CfD costs, should they make a commercial decision to do so. Our August 2023 decision responded to stakeholder feedback by amending the methodology to reflect adjustments to forecasts before we set the cap. However, we do not carry out a reconciliation against actual costs (or to reflect any adjustments to forecasts made after we set the cap). This reflects our general position in the cap that we do not reconcile non-systematic forecast error. For more information on our policy, please see our June 2022 and August 2023 decisions.

Nevertheless, in response to our recent wholesale consultation, a number of suppliers have requested we review our approach for setting the CfD allowance. At a high level, suppliers were concerned that the forecasts used to set the cap might not align with outturn values. Some suppliers said that we should introduce a reconciliation mechanism against actual costs.

We do not consider that stakeholders have raised new issues or provided evidence that the current methodology is leading to a material and systematic difference between costs and allowances.

Stakeholders also raised other issues, such as concerns around the Unidentified Gas allowance. We will consider these as part of the wholesale review workstream.

Other incremental workstreams

We previously signalled an eventual allowance for Nuclear RAB. The materiality of the cost has not yet reached the level that we'd consider changing the cap allowances for. However, we will continue to monitor costs in this area.

[17] Ofgem (2022), Decision on amending the methodology for setting the Contracts for Difference (CfD) cap allowance.
https://www.ofgem.gov.uk/publications/decision-amending-methodology-setting-contracts-difference-cfd-cap-allowance
[18] Ofgem (2023), Decision on technical changes to the price cap methodology.
https://www.ofgem.gov.uk/publications/decision-technical-changes-price-cap-methodology
[19] Our August 2023 decision confirmed that we would include before-period adjustments made available at least 30 working days prior to the start of the cap period.

We are also continuing to monitor compliance of derogated tariffs from the price cap by issuing a Request for Information. Further details are set out in Appendix 1.

In addition to the workstreams outlined in this section, we may undertake further reactive work where necessary. For example, if there is a change in government policy that requires a consequential change to the cap (eg changes to ECO, GBIS or Warm Home Discount). It is also possible that the current reviews being carried out (eg the affordability review and the standing charges review) recommend changes to the cap, which will create consequential workstreams. These types of workstreams are difficult to foresee and therefore we have not set any out in this programme of work. Overall, this programme of work is subject to further change to ensure we remain flexible and responsive to future challenges in the market and changes in Ofgem's priorities.

Next steps

We have set out the list of workstreams along with delivery timings in appendix 1 and look forward to further engagement on these.

We welcome any feedback from stakeholders in response to this programme of work by 22 April 2024. In particular, if suggesting we launch or prioritise a new area of work, please specify what we should deprioritise. Please send your response to priceprotectionpolicy@ofgem.gov.uk.

If we receive any responses which prompt a change in our programme of work, we will look to publish an update in the summer.

Yours faithfully,

Dan Norton

Deputy Director, Price protection

Report

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Appendix 1 – Programme of Work – Workstream tables

Table A1.1 – List of planned workstreams and delivery times

Workstream	Description	Anticipated delivery period
Cap extension	Update of supply licence conditions and dates in the cap models to reflect removal of 2023 end date for the price cap (as legislated for in the Energy Prices Act 2022). This included updating the non-pass-through Smart Metering Net Cost Change (SMNCC) allowance.	July 2023 **Delivery completed**
EBIT review	Review of the current methodology to ensure the EBIT allowance continues to be appropriate, in light of a range of market conditions.	October 2023 **Delivery completed**
Additional debt-related cost review	Review of the debt-related cost allowances, in light of current energy prices, cost of living pressures and government intervention.	April 2024 **Delivery completed**
Additional wholesale cost review	Review of whether wholesale costs have materially and systematically differed from the allowances in the cap.	April 2024 **Delivery completed**
Levelisation (phase 1) - Standing charges between prepayment meter and direct debit customers	Readjusting standing charges from prepayment meter customers to direct debit customers alongside a reconciliation mechanism to enable cost recovery between suppliers with differing customer bases.	April 2024 **Delivery completed**
Prepayment meter ASC allowance review	Consideration of whether we extend the ASC allowance provided previously beyond October 2024.	August 2024

Cap derogations	Issue a request for information to suppliers who have a derogated tariff to monitor compliance with derogations granted from the default tariff cap ('cap'), as set out in our guidance[20] and decision letters.[21] [22] [23]	October 2024
Levelisation (phase 2) – bad debt between standard credit and direct debt customers	Consideration of whether we should proceed with levelising bad debt costs between customers who pay by standard credit and direct debit. Introducing this type of levelisation also includes designing a reconciliation mechanism that is able to reconcile unit rates.	April 2025
Operating cost review	A review of the operating cost allowances in the cap, including core operating costs, payment method differentials (eg the enduring allowance for debt-related costs), smart metering costs and pass-through industry charges. As part of the workstream, we intend to consider the stringency at which we benchmark costs and how costs are allocated across different groups of customers (eg payment methods).	April 2025
Debt-related cost true-up	Through the debt-related cost workstream, we will consider whether the float we provided for additional debt-related costs over April 2022 – March 2024 is appropriate, if any interim adjustments may be	April 2025

[20] Ofgem (2022), Guidance: Derogations requests for renewable tariffs from the default tariff cap. https://www.ofgem.gov.uk/publications/guidance-derogation-requests-renewable-tariffs-default-tariff-cap

[21] Ofgem (2019), Decision to issue Good Energy Limited and Good Energy Gas Limited an enduring derogation for renewable Standard Variable Tariffs from the Default Tariff Cap. https://www.ofgem.gov.uk/publications/decision-issue-good-energy-limited-and-good-energy-gas-limited-enduring-derogation-renewable-standard-variable-tariffs-default-tariff-cap

[22] Ofgem (2019), Decision to issue the Renewable Energy Company Limited (Ecotricity) and enduring derogation for renewable Standard Variable Tariffs from the Default Tariff Cap. https://www.ofgem.gov.uk/publications/decision-issue-renewable-energy-company-limited-ecotricity-enduring-derogation-renewable-standard-variable-tariffs-default-tariff-cap

[23] Ofgem (2019), Decision to issue Green Energy UK Plc an enduring derogation for renewable Standard Variable Tariff from the Default Tariff Cap. https://www.ofgem.gov.uk/publications/decision-issue-green-energy-uk-plc-enduring-derogation-renewable-standard-variable-tariffs-default-tariff-cap

	appropriate for the period up to April 2025 and whether to extend the float provided for Additional Support Credit beyond October 2024.	
Wholesale allowance review	The wholesale review will include: an evaluation of the move to quarterly updates and introduction of the backwardation allowance, a review of the additional wholesale allowances within the wholesale allowance component (eg shaping, imbalance, transaction costs) and consideration of how the cap could be made more compatible with MHHS under the current legislative framework.	Winter 2025
Future price protection	In this workstream we will evaluate the impact of the current cap in context of the current and future market and explore options for evolving price protection.	TBC – dependant on the option set under consideration once we issue the discussion paper

Table A1.2 – List of unplanned long term workstreams

The below table represents work areas we have not currently planned out but remain a potential long-term focus. These are consistent with our previous programme of work.

Workstream	Description
Price Cap Green Tariffs Policy	A review of whether a minimum level of renewable energy supply should be required within default tariff cap, and ensure suppliers provide this to customers.
Network costs	A review of the remaining elements of network costs.
Headroom Allowance	A review of the headroom component. The Headroom allowance captures the residual net uncertainty across the cap methodology. Therefore, we consider that if we review headroom, it should follow review of other elements of the cap.