Decision Appendix

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Appendix 8: Model guidance for updated Default tariff cap level model (pre-levelised rates), Annex 5 and Annex 9

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Decision Appendix

1.Default tariff cap level model (pre-levelised rates)

Chapter summary

In this chapter, we summarise the changes to the 'Default tariff cap level model (pre-levelised rates)' reflecting the decisions of the operating cost and debt allowances review.

Summary of changes

1.1   We have published an updated version of the 'Default tariff cap level model (pre-levelised rates)', reflecting the decisions set out in 'Energy price cap operating cost and debt allowances decision: overview'.

1.2   All changes are shown in the model from cap period 14b (July 2025 – September 2025). Table 1 below sets out a summary of the changes.

Table 1: Summary of changes to 'Default tariff cap level model (pre-levelised rates)'

Worksheet	Change	Description
3m CO	Created new worksheet for Core Operating Cost (CO) inputs.	This tab shows the Baseline Value of the Core Operating Cost Allowance for each fuel, payment method, Benchmark Metering Arrangement and Benchmark Annual Consumption Level, as published in the 'Final Notice'.
3n DRC	Created new worksheet for Debt-Related Cost (DRC) inputs.	This tab shows the Baseline Value of the Debt-Related Cost (Debt-Related Bad Debt Cost (BDC), Debt-Related Administrative Cost (AC), and Debt-Related Working Capital Cost (WCC)). Allowance for each fuel, payment method, Benchmark Metering Arrangement and Benchmark Annual Consumption Level, as published in the 'Final Notice'.
3o IC	Created new worksheet for Industry Charges (IC) inputs.	This tab shows the total Industry Charge Allowance. This is calculated as a sum of the individual pass-through industry charges: Elexon, Xoserve, RECCo, DCUSA, and the smart metering charges DCC and SEGB.
3g CPIH	Added in CPIH Initial Value (Average 2023)	Cell C10 (CPIH Initial Value - Average 2023) is added. This cell is used to uplift Core Operating Cost in calculation tabs.

Worksheet	Change	Description
3i SMNCC	Discontinued SMNCC pass-through table and PPM cost offset.	Discontinued table 'Smart Meter Pass-Through Net Cost Change' from cap period 14b, because the allowance for DCC and SEGB charges has been included in worksheet '3o IC' alongside the other pass-through industry charges.
		Discontinued table 'PPM Cost Offset' from the calculation of final SMNCC allowance from cap period 14b, in line with the policy decision.
All Calculation tabs	Added in new rows for CO, IC, DRC, discontinued formulas for OC, PAAC and PAP from cap period 14b (July 2025 – September 2025).	In all calculation tabs the following changes are made:
		- Added new row for Industry Charges (IC) for each region and GB average.
		- Added new row for Core Operating Cost (CO) for each region and GB average and calculated the CO allowance in accordance with the 'Final Notice', section 28AD.11 of the Electricity Supply Licence and section 28AD.10 of the Gas Supply Licence.
		- Added new row for Debt-Related Cost (DRC) for each region and GB average and calculated the DRC allowance in accordance with the 'Final Notice', section 28AD.12 of the Electricity Supply Licence and section 28AD.11 of the Gas Supply Licence.
		- The formulas in OC, PAAC and PAP rows for all regions and GB average have been removed from July 2025 - September 2025 (i.e. col AJ) and onwards.
		- The formula in EBIT rows for all regions have been extended to include the newly added components (i.e. IC, CO and DRC) from July 2025 - September 2025 (i.e. col AJ) and onwards.
		- The formula in headroom and total rows for all regions now includes the newly added components (i.e. IC, CO, and DRC) from July 2025 - September 2025 (i.e. col AJ) and onwards.
		- The formula in headroom and total rows in nil consumptions calculation tabs for all regions is amended to avoid returning zero or error for future caps where there is no data available yet.
1b Historical level tables	Added in new rows for CO, IC, DRC,	New rows are added for IC, CO and DRC for each fuel type, payment method,

Worksheet	Change	Description
	discontinued formulas for OC, PAAC and PAP from cap period 14b (July 2025 – September 2025).	Benchmark Metering Arrangement and Benchmark Annual Consumption Level. Consistent with other cost components in this tab, GB average of IC, CO and DRC figures are brought in from the relevant calculation tabs. The formulas in OC, PAAC and PAP rows have been removed from July 2025 - September 2025.
1c Consumption adjusted levels	Added in new rows for CO, IC, DRC, discontinued formulas for OC, PAAC and PAP from cap period 14b (July 2025 – September 2025).	New rows are added for IC, CO and DRC for fuel type, payment method, Benchmark Metering Arrangement and Benchmark Annual Consumption Level. The rows are formulated to convert benchmark consumption from tab '1b Historical level tables' to the latest TDCV. The formulas in OC, PAAC and PAP rows have been removed from July 2025 - September 2025.
1a Default tariff cap	Formula extended.	The formulas are extended to capture the newly added rows for CO, IC and DRC in calculation tabs.
3h OC	Discontinued worksheet.	Added note to indicate this worksheet has been discontinued, in line with policy decision from cap period 14b.
3j PAAC PAP	Discontinued worksheet.	Added note to indicate this worksheet has been discontinued, in line with policy decision from cap period 14b.

2. Annex 5

Chapter summary

In this chapter, we summarise the changes to Annex 5 reflecting the decisions of the operating cost and debt allowances review.

Summary of changes

2.1   We have published an updated version of 'Annex 5 – Smart metering net cost change allowance methodology' (under the updated name 'Annex 5 – Smart metering net cost change and industry charge allowance methodology'), reflecting the decisions set out in 'Appendix 3: Smart metering costs' and 'Appendix 4: Industry charges'.

2.2   All changes are shown in the model from cap period 14b (July 2025 – September 2025). Table 2 below sets out a summary of the changes.

Table 2: Summary of changes to Annex 5

Worksheet	Change	Description
Notes	Updated tab to reflect changes in the model.	Updated the description, list of tabs and model organogram to reflect the new model structure.
1a SMNCC values	Discontinued SMNCC pass-through net cost change table and PPM cost offset table.	Discontinued table 'Smart Meter Pass-Through Net Cost Change' from cap period 14b, because the allowance for DCC and SEGB charges is now included in worksheet '1b IC values' alongside the other pass-through industry charges.
		Discontinued table 'Applying the additional PPM cost offset' from cap period 14b, in line with the policy decision.
		Updated calculations for cap period 14b in tables 'Benchmark Annual Consumption Level nil' and 'Benchmark Annual Consumption Level typical consumption' to remove pass-through costs and PPM cost offset from the calculation of final SMNCC allowance.
1b IC values	Created new worksheet to calculate the total industry charge pass-through allowance.	Table 'Industry Charge Allowance' brings together the total industry charge allowance as a sum of the individual charges, for electricity (separately for single-rate and multi-registered metering arrangements) and gas.

Worksheet	Change	Description
		Calculations for the industry charge allowance at typical consumption and nil consumption have been included, using scaling factors from worksheet '2f Scaling factor'.
2a Non-pass-through costs	SMNCC non-pass-through allowances added for cap period 14b.	Text description updated to reflect the new methodology. Updated allowances for SMNCC non-pass-through costs added at cap 14b.
2b SEGB	Minor update to metering data.	Removed rounding of metering data in lines 15 and 16 from cap period 14b.
2c DCC	Minor update to metering data.	Removed rounding of metering data in lines 12 and 13 from cap period 14b.
2d SMICoP	Discontinued worksheet.	Added note to indicate this worksheet has been discontinued, in line with policy decision to remove SMICoP allowance from cap period 14b.
2e CPIH	Discontinued worksheet.	Added note to indicate this worksheet has been discontinued, in line with policy decision to remove PPM cost offset from cap period 14b.
2f Scaling factor	Added in scaling factor for pass-through industry charges.	Added scaling factor for industry charges, for electricity and gas separately. The values have been calculated from the allocation of operating costs to the standing charge and unit rate under the 2019 methodology.
2g PPM cost offset	Discontinued worksheet.	Added note to indicate this worksheet has been discontinued, in line with policy decision to remove PPM cost offset from cap period 14b.
2h Elexon	Created new worksheet to calculate allowance for Elexon costs.	Added calculations for the Elexon cost allowance, for both single-rate and multi-registered metering arrangement. For a description of the methodology and sources, see 'Appendix 4: Industry Charges'.
2i Xoserve	Created new worksheet to calculate allowance for Xoserve costs.	Added calculations for the Xoserve cost allowance. For a description of the methodology and sources, see 'Appendix 4: Industry Charges'.
2j RECCo	Created new worksheet to calculate allowance for RECCo costs.	Added calculations for the RECCo cost allowance. For a description of the methodology and sources, see 'Appendix 4: Industry Charges'.

Worksheet	Change	Description
2k DCUSA	Created new worksheet to calculate allowance for DCUSA costs.	Added calculations for the DCUSA cost allowance. For a description of the methodology and sources, see 'Appendix 4: Industry Charges'.
2l Demand	Added new tab with typical consumption values.	Added table with benchmark consumption values for electricity (single-rate and multi-registered metering arrangement) and gas. Table is used to calculate allowance for Elexon costs.

2.3   Additionally, we note that Smart Energy GB (SEGB) and the Data Communications Company (DCC) have changed the structure of their budgets / charging statements, which flow through to tabs '2b SEGB' and '2c DCC'. We reflected these changes from cap 14a (April 2025 – June 2025) as part of our February 2025 price cap update,[1] as follows:

- SEGB Marketing and Policy & Communication costs have now been combined into Capital Costs;[2]

- DCC Single Band Communication Hub (SBCH) and Dual Band Communication Hub (DBCH) charges have been combined into unitary charges, as set out in the decision to Modification Proposal MP275.[3]

2.4   The adjustment to SEGB inputs does not change the methodology of the SEGB allowance and does not require any changes to Annex 5. However, going forwards we will only fill row 12 as opposed to row 12 and 13 for SEGB to account for 'capital costs' (Marketing and Policy & Communication costs).

2.5   The adjustment to SBCH and DBCH fixed costs do not impact the methodology of the DCC allowance and does not require any changes to the structure of Annex 5.

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[1] Ofgem (2025), Energy price cap (default tariff) levels.
https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/energy-price-cap-default-tariff-policy/energy-price-cap-default-tariff-levels
[2] Smart Energy GB (2025), Consumer engagement plan and budget 2025.
https://www.smartenergygb.org/about-us/essential-documents
[3] Ofgem (2025), Smart Energy Code (SEC) Modification Proposal (MP) 275: 'Section K changes to support 4G Communications Hubs rollout'.
https://www.ofgem.gov.uk/sites/default/files/2025-02/Decision-letter-to-approve-SECMP275-Section-K-changes-to-support-4G-Communications-Hubs-Rollout.pdf

3. Annex 9

Chapter summary

In this chapter, we summarise the changes to 'Annex 9 - Levelisation allowance methodology and levelised cap levels' reflecting the decisions of the operating cost and debt allowances review.

Summary of changes

3.1   We have published an updated version of 'Annex 9 - Levelisation allowance methodology and levelised cap levels' reflecting the changes set out in 'Energy price cap operating cost and debt allowances decision: overview'.

3.2   All changes are shown in the model from cap period 14b (July 2025 – September 2025). Table 3 below sets out a summary of the changes.

Table 3: Summary of changes to Annex 9

Worksheet	Change	Description
3e Historical level Inputs	Added in new rows for CO, IC, DRC, from cap period 14b (July 2025 – September 2025).	New rows are added for IC, CO and DRC for each fuel type, payment method, Benchmark Metering Arrangement and Benchmark Annual Consumption Level to mirror '1b Historical level tables' tab of the updated default tariff cap level model.
1b Historical level tables	Added in new rows for CO, IC, DRC, discontinued formulas for OC, PAAC and PAP from cap period 14b (July 2025 – September 2025).	New rows are added for IC, CO and DRC for each fuel type, payment method, Benchmark Metering Arrangement and Benchmark Annual Consumption Level. The formulas in OC, PAAC and PAP rows have been removed from July 2025 - September 2025.
1c Consumption adjusted levels	Added in new rows for CO, IC, DRC, discontinued formulas for OC, PAAC and PAP from cap period 14b (July 2025 – September 2025).	New rows are added for IC, CO and DRC for fuel type, payment method, Benchmark Metering Arrangement and Benchmark Annual Consumption Level. The rows are formulated to convert benchmark consumption from tab '1b Historical level tables' to the latest TDCV. The formulas in OC, PAAC and PAP rows have been removed from July 2025 - September 2025.