

# Call for input

## Energy Price Cap: Enduring Unidentified Gas Allowance

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Following our decision to carry out an interim update of the Unidentified Gas allowance in the default tariff cap, we are seeking input from stakeholders on enduring approaches to set the allowance. We welcome any views and ask specific questions on approach, data source and frequency of updates.

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## 1. Introduction

In this chapter, we set out the purpose for this call for input and provide related context and publications that relevant for this review.

### **Purpose of this call for input**

- 1.1 The default tariff cap ('cap') includes an allowance for Unidentified Gas (UIG), ie any gas losses that occur between entry into the network and delivery to customers.
- 1.2 The current approach to setting the cap allowance, which uses data on forecast domestic UIG from the Allocation of Unidentified Gas Expert (AUGE)'s Annual Statement, is no longer reflective of suppliers' outturn costs.
- 1.3 On 30 July 2025, we consulted on amending the UIG cost allowance from cap period 15a (October 2025 to December 2025) onwards. In that consultation, we proposed to use a new input which better reflects UIG volumes, ie Xoserve's estimate of post-reconciliation UIG as a percentage of throughput (calculated for domestic consumers). At the time, we said that this amendment was intended to be a temporary measure while we evaluated a robust and enduring approach to setting the UIG allowance.
- 1.4 On 25 August 2025, we published a decision to set a temporary UIG allowance at 3.17% which is equivalent to circa £5.10 per gas customer in cap period 15a (October 2025 – December 2025). We set the interim allowance using an average of monthly post-reconciled UIG as a percentage of total throughput average over two Gas Years.
- 1.5 Though the interim approach is now in place, we need to consider our enduring approach to setting the UIG allowance in the cap. In this call for input, we set out key considerations for setting an enduring allowance. At this stage, we do not make proposals but rather welcome views on the considerations set out and further evidence on the approaches we should pursue.

## **Context and related publications**

- 1.6 The default tariff cap ('cap') was introduced 1 January 2019 and protects 22 million default tariff and standard variable tariff customers (referred to collectively as default tariff customers).<sup>1</sup> The cap ensures that default tariff customers pay a fair price for their energy that reflects the efficient underlying costs to supply that energy.
- 1.7 The cap legislation sets out the objective to setting the cap with a view to protecting existing and future customers who pay standard variable and default rates. We must also have regard to five matters, including the need to ensure that a notional supplier who operate efficiently is able to finance its activities.
- 1.8 Most gas consumed in Great Britain is attributed to individual customers. However, some will not be attributable for several reasons, including system leakage or consumption by unregistered supply points. The industry refers to gas which is not attributed to an individual supplier meter point as Unidentified Gas (UIG).
- 1.9 The cap includes an allowance for UIG, which we calculate in 'Annex 2 – wholesale cost allowance methodology'.<sup>2</sup> We set the allowance annually using the AUGER forecast of UIG for the Gas Year and the forecast consumption for the Gas Year for End User Category (EUC) 1ND and 1PD and Classes 3 and 4 (which approximate domestic consumers). Further details on how we set the allowance can be found in our 2018, 2022 and 2023 decisions, and in the Annex 2 model.<sup>3,4,5,6</sup>
- 1.10 Following our decision to carry out an interim update of the UIG data source in the cap, we are seeking to gather views on how we set an enduring allowance. In this call for input, we summarise stakeholder views to date, provide an overview of the

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<sup>1</sup> Domestic Gas and Electricity (Tariff Cap) Act 2018.

<https://www.legislation.gov.uk/ukpga/2018/21/enacted>

<sup>2</sup> Ofgem (2025), Wholesale cost allowance methodology (Annex 2), tab '3a Allowances', row 31 and 38.

<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>

<sup>3</sup> Ofgem (2018), Default tariff cap: decision – overview. Appendix 4 – Wholesale.

<https://www.ofgem.gov.uk/decision/default-tariff-cap-decision-overview>

<sup>4</sup> Ofgem (2022), Price Cap - Decision on reflecting prepayment End User Categories in the default tariff cap.

<https://www.ofgem.gov.uk/decision/price-cap-decision-reflecting-prepayment-end-user-categories-default-tariff-cap>

<sup>5</sup> Ofgem (2023), Decision on technical changes to the price cap methodology.

<https://www.ofgem.gov.uk/decision/decision-technical-changes-price-cap-methodology>

<sup>6</sup> Ofgem (2025), Energy price cap (default tariff) levels. Wholesale cost allowance methodology (Annex 2), tab '3a Allowances', row 31 and 38.

<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>

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approach to setting the interim allowance and set out key considerations for setting the enduring allowance.

1.11 The key documents relating to this publication are:

- [Energy price cap additional wholesale allowance decision: unidentified gas | Ofgem](#)
- [Energy price cap additional wholesale allowance consultation: unidentified gas | Ofgem](#)
- [Decision on technical changes to the price cap methodology | Ofgem](#)
- [Price Cap - Decision on reflecting prepayment End User Categories in the default tariff cap | Ofgem](#)

## 2. Stakeholder comments

In this chapter, we summarise comments provided through our recent stakeholder engagement and consultation on the interim UIG allowance update.

- 2.1 On 9 July 2025, we sent suppliers a letter detailing that we are exploring the issue and the types of options that we should consider when setting the UIG allowance. We asked suppliers for a) their views on AUGE's forecast of UIG we currently use to set the allowance, b) alternative data sources for UIG costs, and c) alternative approaches to set the allowance.
- 2.2 All suppliers who responded to the letter agreed that the current approach used to set the UIG allowance is consistently leading to suppliers under-recovering costs. This is because the AUGE's forecast of UIG that is currently used to set the allowance quantifies a limited portion of UIG. Suppliers told us that the purpose of the AUGE's estimation is to calculate the UIG weighting factors used in the allocation of UIG across different meter classes, and not to quantify final amounts of UIG.
- 2.3 Suppliers said that the forecasted UIG currently used to set the UIG allowance is based on 11 contributors to quantify the forecast, out of the 25 contributors of UIG the AUGE identified.<sup>7</sup> For 2025-26 the AUGE concluded that its bottom-up quantification of UIG only accounted for 64.8% of benchmark UIG. This input has become less appropriate over time, as the proportion of benchmark UIG explained by AUGE's bottom-up estimate has trended downwards over the past few years. For example, in the 2022-23 AUGE statement, the bottom-up estimate accounted for 84.1% of benchmark UIG.<sup>8</sup>
- 2.4 Beyond suppliers, Xoserve have also indicated that the AUGE forecast we are currently using is not intended for the purpose of estimating total UIG. Suppliers pointed to commentary in the AUGE Annual Statement, where the AUGE says that there is a proportion of UIG that is yet to have its cause identified or, despite identification, cannot be quantified due to the limited availability of reliable data.<sup>9</sup>
- 2.5 We received three suggestions of alternative approaches to set the UIG allowance from suppliers. Two suppliers said we could use AUGE's forecast of total UIG based on observed levels of UIG, apportioned to domestic meter classes using

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<sup>7</sup> Engage Consulting (2025), Final AUG Statement 2025-2026 (republished 11 April 2025), p. 113.

<https://www.gasgovernance.co.uk/AUGStatement2526>

<sup>8</sup> Engage Consulting (2022), Final AUG Statement 2022-23 v1.3, p. 111.

<https://www.gasgovernance.co.uk/AUGStatement2223>

<sup>9</sup> Engage Consulting (2025), Final AUG Statement 2025-2026 (republished 11 April 2025), p. 113.

<https://www.gasgovernance.co.uk/AUGStatement2526>

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the AUGÉ weighting factors.<sup>10</sup> One supplier said alternatively we could use Xoserve's settlement data to calculate historic outturn UIG for domestic sites.

- 2.6 In response to our July 2025 consultation on the interim UIG allowance, several stakeholders raised points that we will consider alongside responses to this call for input.
- 2.7 Two stakeholders said we should not consider Class 3 when calculating the level of UIG captured by the allowance. One stated that nationally only 16% of domestic customers are assigned to Class 3 and the supplier did not have any within its own portfolio. The other supplier said that a customer must accept a smart meter to be moved to Class 3, and there is a lag in default tariff customers taking up a smart meter.
- 2.8 We decided to include Class 3 in our interim UIG approach. We said we had not seen evidence that excluding Class 3 would better represent the aggregate costs for default tariff customers, compared to the current approach. We welcome further evidence on the relevant Classes for inclusion in any calculations for the enduring approach.
- 2.9 One supplier said we should use several different sources to calculate the UIG allowance, rather than one number, to increase accuracy. It suggested a number of data sources that we should explore with Xoserve to set the enduring allowance. The data sources included Market Reconciliation Reporting by EEUC/LDZ and Observed Supplier Reported Levels calculated from Reconciliation Invoicing backed data.
- 2.10 We intend to consider these additional data sources alongside other suggestions resulting from this call for input.

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<sup>10</sup> Engage Consulting (2025), Final AUG Statement 2025-2026 (republished 11 April 2025), pp. 112-113.  
<https://www.gasgovernance.co.uk/AUGStatement2526>



### 3. Considerations

In this chapter, we provide key considerations of relevant areas we may consider when assessing how to set the enduring allowance for UIG costs.

#### Interim UIG allowance

- 3.1 In our decision published on 25 August 2025, we decided to set the UIG allowance on an interim basis at 3.17%, using a percentage of total throughput which is available from Xoserve's website.<sup>11</sup> Xoserve publish a chart which shows monthly UIG as a percentage of throughput at both the initial allocation, and after reconciliations have been processed. We decided to calculate the temporary UIG uplift based on the average of the last two Gas Years' post-reconciliation UIG percentage figure. From this figure, we then calculate the domestic UIG percentage using AUGE's forecast weighting factors and forecast consumption from the latest AUGE Annual Statement (where domestic consumers are approximated by the EUC 1ND and 1PD and Profile Classes 3 and 4).

#### Enduring UIG allowance

- 3.2 We note that there may be challenges in using the interim approach set out in our decision on an enduring basis. This is because the AUGE statement we have used to gather weighting factors and forecast consumption for the calculation of the temporary allowance applies for three full gas years, up to 30 September 2028.<sup>12</sup> This means that until then, we will not have another AUGE statement to update our allowance calculation, and as such any changes in the distribution of UIG or consumption would not affect the allowance.
- 3.3 We also note that the next appointed AUGE may decide to publish different information to what is in the current annual statement, so we should not assume that the information we have used to set the temporary allowance will be included in future AUGE statements.

#### Data source

- 3.4 We want to engage with stakeholders on options to set an enduring allowance. We consider that possible data sources for an enduring allowance could include:

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<sup>11</sup> Xoserve (2025), UIG as % of total throughput.

<https://www.xoserve.com/help-centre/demand-attribution/unidentified-gas-uig/uig-as-of-total-throughput/>

<sup>12</sup> Ofgem (2024), Authority Decision for UNC modification UNC0873 - Allow specific roll-over for the AUG Table 2025/26.

<https://www.ofgem.gov.uk/decision/authority-decision-unc-modification-unc0873-allow-specific-roll-over-aug-table-202526>

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- The average post-reconciliation UIG as a percentage of total throughput from Xoserve's chart. We note that we would need a different approach that reallocates total UIG to domestic consumers, in the absence of updated AUGÉ statements. One option may be to reuse the weighting factors and forecast consumption from the 2025/26 AUGÉ statement to set the allowance in future years, while updating the post-reconciliation UIG figure. We welcome views on how we split domestic and non-domestic UIG.
- Bespoke analysis from Xoserve (the Central Data Service Provider for the gas market) setting out the levels of post-reconciliation UIG for domestic consumers. This would require Xoserve to produce bespoke analysis which is regularly updated (eg yearly). This could be facilitated by an industry code change.
- Other data sources such as those mentioned by one supplier and summarised in the previous chapter.

3.5 We note that Xoserve previously produced analysis for us which assessed historical UIG levels at allocation and post reconciliation for the domestic energy market.<sup>13</sup>

3.6 One of the challenges of using post-reconciliation data is that UIG can take up to four years to fully reconcile, as this accounts for the time needed to ensure all meters are read. However, most meters are read after a year, and we would expect any change in the UIG percentage figure to be low as the remaining meters are read. Therefore, for setting an enduring allowance, we may not need to wait four years to capture a particular year's costs. For example, we could use post-reconciliation UIG over the previous two Gas Years, akin to the methodology we used to set the interim allowance or use one Gas Year if we thought that was more appropriate.

## EUCs and Profile Classes

3.7 To set an enduring allowance, we will need to identify which EUCs and Profile Classes UIG should be calculated on, where:<sup>14</sup>

- EUCs categorise gas consumers by their different usage pattern, with classes 1 and 2 representing lower consumption bands (0 to 73.2 MWh per year and

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<sup>13</sup> Xoserve calculated the initial UIG % allocation for the domestic EUCs for each Gas Year as the ratio of UIG allocation volume per year over Non-Daily Metered (NDM) allocation volumes per year, using daily data from the Gemini system at D+5 close out. Xoserve calculated the post-reconciliation UIG % allocation for domestic EUCs for each Gas Year as the ratio of UIG volumes post reconciliation divided by the NDM allocation post reconciliation, using monthly meter point reconciliation data (up to 4 years from the original gas month), including any Local Distribution Zone Adjustments for Metering Errors or Annual Shrinkage.

<sup>14</sup> Xoserve (2025), UIG education pack.

<https://www.xoserve.com/media/ymtnf4kb/uig-education-pack.pdf>

73.201 to 293 MWh per year respectively). Both classes are split across domestic/non-domestic and pre-payment/non-prepayment meters.

- Profile Classes relate to the type of meter arrangement in place, with classes 3 and 4 representing supply points that are Non-Daily Metered (NDM).<sup>15</sup> Class 3 meters are read daily, with reads sent in batches on a regular basis by Shippers. Class 4 meters are read at agreed intervals, annually, every 6 months or monthly (supply points over 293 MWh are read monthly).

3.8 We have set the temporary UIG allowance calculating UIG for the same EUCs and Profile Classes that we had used so far to set the allowance. This is EUC 1ND and 1PD (ie class 1 for domestic pre-payment and non-prepayment meters, with consumption between 0 to 73.2 MWh per year) and Profile Classes 3 and 4 (ie NDM supply points, which represent smaller users therefore approximating domestic consumers).

3.9 In response to our July 2025 UIG scoping letter, two suppliers said the UIG calculation could be extended to include EUC 2ND and 2PD (which represent large domestic sites with consumption of 73.201 to 293 MWh per year). In response to our July 2025 consultation, two suppliers said we should only use Profile Class 4 in the calculation.

3.10 We welcome feedback from stakeholders on the appropriateness of different EUCs and Profile Classes, including any evidence on which EUCs and Classes suppliers' price cap customers sit within and why you would not expect this to change over time (eg with the continued rollout of smart meters).

## Frequency of updates

3.11 We consider an annual review would be most appropriate in finding the balance between keeping the allowance regularly updated without increasing the frequency of bill changes. However, we are open to views from stakeholders with clear rationale where the suggestion is to update the allowance more frequently. We are also open to considering views on whether a fixed allowance would be appropriate.

3.12 Overall, it is important to allow efficient suppliers to recover their costs, as an important enabler of a stable and investable market. As we have previously mentioned, UIG is driven by several factors such as system leakage, energy theft and consumption at unregistered meter points. We consider that UIG costs are largely outside of supplier's control. However, for any actions suppliers could take to reduce UIG across the system, we will need to consider how setting an enduring allowance may affect any incentives to reduce UIG. We welcome views

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<sup>15</sup> For Classes 1 and 2 supply points (Daily Metered), reads need to be sent at D+1. Non-Daily Metered supply points require reads to be sent less frequently (every month or less).

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on the extent to which the level of UIG is within suppliers' control or the extent to which inaction may increase levels of UIG across the system.

3.13 We welcome general views on the contents of this chapter along with answers to the specific questions below.

## 4. Questions

- a) Do you have any views on data sources we should use to set an enduring allowance on UIG?
- b) If retaining the interim approach as the enduring approach, what are your views on keeping fixed the weighting factors to split between domestic and non-domestic based on the 2025/26 AUGE report? Are there alternative approaches we could use to retain the same data source but apply a split?
- c) Do you have any views on the methodology we should use to set an enduring allowance on UIG? This could include:
  - i. number of years of data the calculation should be based on (eg last two gas years);
  - ii. EUCs and Profile Classes to calculate UIG on, including any evidence on which EUCs and Profile Classes price cap customers sit within;
  - iii. frequency of updates.

## Appendix 1 – Your response, data and confidentiality

### How to respond

We want to hear from anyone interested in this call for input. Please send your response to the person or team named on the front page of this document before the response deadline.

We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

We will publish non-confidential responses on our website.

### Your response, data, and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.

If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

### How to track the progress of a call for input

1. Find the web page for the call for input you would like to receive updates on.
2. Click 'Get emails about this page', enter your email address and click 'Submit'.
3. You will receive an email to notify you when it has changed status.

## **Call for input** Energy Price Cap: Enduring Unidentified Gas Allowance

A call for input has two stages: 'Open' and 'Closed'.

### **Send us your feedback**

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this call for input. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to [stakeholders@ofgem.gov.uk](mailto:stakeholders@ofgem.gov.uk).