

Daniel Newport,
Deputy Director, Price Cap
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

13 August 2025

Dear Daniel

**ENERGY PRICE CAP ADDITIONAL WHOLESALE ALLOWANCE CONSULATION:
UNIDENTIFIED GAS**

Thank you for the opportunity to provide feedback on the proposed changes to the wholesale cost allowance for Unidentified Gas (UIG) within the energy price cap.

We welcome Ofgem's acknowledgement of UIG under recovery by suppliers and its efforts to explore alternative methodologies so that the UIG allowance in the price cap can be fair, evidenced-based and reflective of current market conditions. As outlined in our response to the scoping phase of the UIG gas price cap allowance review, the "interim" representation of the UIG share from the AUGER was not designed to reflect the actual costs faced by suppliers.

We are supportive of Ofgem's proposed shift to a new input that reflects final reconciled UIG volumes. Replacing the current AUGER-based forecast with Xoserve's reconciliation estimate of throughput allows a more accurate and transparent interim solution – particularly as this is alongside the allocation of UIG based on the actual consumption period following implementation of UNC modification 0862 – "Amendments to the UIG Reconciliation Period".

While Ofgem's proposed updated price cap UIG input of 2.9% is an increase from the current value of 1.86%, it remains significantly below our historical average of circa 4%, as shared with Ofgem in our response of 16 July. This suggests that suppliers will continue to experience a substantial under-recovery of UIG-related costs.

We would also like to highlight the significant role that geographical Local Distribution Zones (LDZs) play in UIG allocation. Each LDZ has distinct characteristics that influence both gas consumption patterns and data accuracy. We are currently conducting analysis to assess the contribution of individual LDZs to observed differences in UIG levels. We would welcome the opportunity to engage further on this topic and would intend to share our analysis with Ofgem at an appropriate time upon its completion.

As the proposed amendment is a temporary measure, and Ofgem is considering a longer term approach to setting the UIG allowance as part of its 2025/26 price cap programme of work, we look forward to further engagement as this work progresses.

Finally, we support the proposed implementation timeline, beginning with price cap period 15a (October to December 2025). Introducing this change ahead of the winter is timely as it will help ensure suppliers are better positioned to recover actual UIG-related costs during a period of typically higher gas demand.

Yours sincerely,

A handwritten signature in blue ink that reads "Richard Sweet". The signature is written in a cursive, flowing style.

Richard Sweet
Director of Regulatory Policy