

Q1: Fair Pricing Objective, Principles and Outcomes

We broadly support the objective and principles outlined. The focus on **cost reflectivity**, **efficiency**, and **fair returns** creates a balanced framework that protects consumers while recognising commercial viability.

However, we recommend:

- Clarifying “fair and reasonable returns” using a soft range aligned to WACC estimates, to set clear expectations without introducing a de facto cap.
 - Strengthening guidance on **corporate risk** and temporal mismatch in capital recovery—particularly for new vs legacy network assets.
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◆ Q2: Development of Fair Pricing Guidance

a) The proposed areas are appropriate and comprehensive.

b) We strongly support guidance on:

- **Fuel procurement:** Recommend template procurement policies to ensure transparency.
- **Capital cost recovery:** Encourage optional use of IRR modelling or asset depreciation schedules for transparency.

We suggest adding guidance on:

- **Lifecycle costing** for major infrastructure (e.g., pumps, central plant)
 - **Sinking fund best practice** (including thresholds, usage rules, and disclosure)
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◆ Q3: Fairness Test

a) Agree with high-level features—particularly case-by-case and principle-based evaluation.

b) The framework could be strengthened by:

- Including “comparability” with similar networks as an explicit fairness metric.
 - Clearer criteria for disproportionality—perhaps using thresholds based on comparator averages or EBIT margins.
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◆ Q4: Revised Authorisation Condition

Support the current wording and structure. The balance between obligation and future guidance is proportionate. Ensure consistency between this and future guidance under the Technical Assurance Scheme (HTAS).

◆ Q5: Market Segmentation

We agree with the segmentation approach, particularly:

- Reducing burdens for small or community-led networks
- Differentiating treatment for metered vs unmetered networks

Recommend clearer segmentation guidance for:

- Networks operated via **Right to Manage companies**
 - Mixed-use networks (domestic/commercial)
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◆ Q6–Q9: Data Requirements

- **Easier to report:** Standing/unit charges, customer numbers, total demand, fuel costs
- **Challenging:** Historic capex breakdown, indirect admin costs, revenue segmentation by user class

We propose:

- Defining a **“core reporting pack”** for small networks
 - Allowing **phased reporting** (e.g., full data within 18 months for legacy networks)
 - Exempting community-led schemes below a customer threshold from annual EBIT disclosures
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◆ Q10–Q14: Cost Allocation Proposals

Q10: Strongly agree – fines and redress should not be passed through to consumers.

Q11: Best practice guidance is useful but should be accompanied by:

- Worked examples for metered vs unmetered schemes
- Templates for standing/unit charge mapping

Q12: Yes – especially for:

- Unmetered social housing schemes
- Private ESCOs with multiple networks

Q13: The draft condition reflects the intent, though a definition of "material deviation" from guidance would be helpful.

Q14: Recommend standardisation of definitions (e.g., “fixed charges”, “operational expenses”) to support future benchmarking.

◆ Additional Comments

We welcome Ofgem's proportionate and phased approach. From a consultant's perspective, early publication of the **draft fair pricing guidance** and associated **data templates** (preferably by Q4 2025) is critical for enabling compliance planning.

We also suggest:

- Publishing **case study illustrations** of fair pricing vs non-compliance scenarios
- Holding technical workshops (autumn 2025) for practitioners and advisors
- Developing **modelling tools** or sandbox environments for suppliers to simulate compliance