

Daniel Newport
Consumer Protection & Retail Markets
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

7 November 2025

Dear Danny,

Energy Price Cap: Proposed changes to Warm Home Discount Scheme cost allowance

EDF is the UK's largest producer of low carbon electricity. EDF operates low carbon nuclear power stations and is building the first of a new generation of nuclear plants. EDF also has a large and growing portfolio of renewables, including onshore and offshore wind and solar generation, as well as energy storage. With over five and a half million electricity and gas customer accounts, including residential and business users, EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

EDF welcomes the opportunity to respond to Ofgem's consultation on proposals to amend the cost profile of the Warm Home Discount (WHD) allowance in the cap from 1 January 2026. When considering amending allowances under the price cap Ofgem must be cognisant of the wider market context at the time. If Ofgem is to support the government's ambition to deliver growth and achieve Net Zero, it must ensure that Great Britain has a healthy, well-functioning and resilient energy retail market. This means a market where a diverse range of efficient and sustainable businesses can attain a fair margin and attract investment to drive improvements in customer services, innovate and support net zero solutions that deliver value for consumers.

For as long as there is a stringent approach to setting the cap, Ofgem must ensure that under recovery of costs by suppliers is mitigated or risk the sectors stability, attractiveness and financial resilience. However, these proposals represent a further example of implementing an approach to setting cost allowances which involves significant delay and possibly under recovery of costs for suppliers. The continuation of such an approach in an already low margin/value sector risks a further decrease in the attractiveness of the sector and driving further market failure or consolidation even amongst larger suppliers. Ofgem needs to take action to prevent a repeat of the market failures observed at the start of the decade.

We accept the need for Ofgem to take account of the impact of cost increases on consumer bills. However, artificially smoothing cost increases over extended periods and thereby preventing suppliers from recovering their costs either in advance or at the time they are incurred is not in the long-term interest of consumers or consistent with Ofgem duties in relation to the Default Tariff Cap. Ofgem should, in terms of tackling costs pressures, instead

be focussing on reducing burdensome regulation and ensuring market players can recover their costs from customers via an economically sensible price cap methodology across all allowances and ensuring that suppliers have the tools needed to recover customer debt.

In terms of the detailed proposals, while we welcome the proposal to bring forward outstanding WHD cost recovery to 1 January 2026. We strongly oppose extending the period of recovery from 6 months to 15 months for the reasons set above. As a minimum, moving to full recovery within the 2026 calendar year must be considered. This would reduce the bill impact but also allow suppliers to recover their costs earlier and reduce the under-recovery risk that would result from losing SVT customers during the period.

However, if Ofgem continue with a policy of delaying cost recovery for suppliers then it must also immediately undertake a review of the headroom allowance provided for under the DTC. This allowance was designed to provide a safety net for suppliers allowing them to absorb unforeseen costs or risks that might arise during a cap period. The combination of these under-recovery risks and the ongoing financial impact they have on suppliers far outweighs the allowed headroom allowance. Any failure to address the under-recovery risks faced by suppliers requires Ofgem to increase the allowed headroom in order to reflect the ongoing risks and costs that suppliers would carry under the DTC. It is vital that the DTC supports an effective and thriving competitive market that facilitates innovation, investment and enables efficient and responsible market participants to be sustainable in the long term.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Steven Eyre, or myself.

I confirm that this letter may be published on Ofgem's website.

Yours sincerely

A handwritten signature in black ink, appearing to read "John Mason", written over a light blue rectangular background.

John Mason

Senior Manager - Senior Manager (Price Regulation and Market Dynamics)