

7 November 2025

Dear Danny

**Re: Energy price cap: proposed changes to WHD Scheme cost allowance**

**Question 1: Do you agree with our proposal to amend the WHD cost allowance profile as described in section 2 from 1 January 2026?**

Yes, we are broadly supportive of the proposal as we can see it is helpful for smoothing out customer bills.

From a supplier cost recovery perspective, the difference between the proposal and the status quo is one of timing, not overall magnitude. We anticipate that both options are expected to be financially neutral (netting out) by the end of next financial year (ending April 2027), meaning the overall impact is not a long-term issue.

However, we note that based on our analysis Ofgem's proposal leads to a peak cumulative negative impact on profit in September 2026. While this impact evens out by the end of that financial year (April 2027), this sizeable hit is currently not anticipated in our financial planning and may require some re-forecasting, which is relevant for Ofgem's regular monitoring.

Ultimately, this proposal presents a trade off between customer impact, and financial impact and reporting. We urge Ofgem to acknowledge that the choice is a trade-off between these two equally valid priorities, and to confirm whether the risk of temporary financial volatility is acceptable in exchange for the enhanced customer outcome.

**Question 2: If you do not agree with the proposal, do you propose any alternative WHD profiling options?**

While we ultimately support the proposal based on customer benefit, we suggest that if Ofgem wants to prioritise minimising internal financial volatility, it should stick with the status quo.

**Question 3: Do you have any other views you would like to share in response to this consultation?**

We want to share two quick points:

1. While we note Ofgem's line that "*the cap is not intended to match the exact profile of when suppliers incur costs*" we urge that this is reconsidered in the context of policy levies and urge Ofgem to work with Government to align make policy levy implementation more predictable and less risky.

Over the past two years, three new levies (EII, extended WHD, and nuclear RAB) have been introduced. A combination of the Government's design and short notice periods for these levies has caused a mismatch between suppliers incurring liabilities and recovering those costs via fixed tariff pricing or the cap. This materially impacts supplier P&L and working capital, increasing market risk. As these costs are imposed by the Government, it's incumbent on Ofgem to push for a more predictable framework to maintain market stability. We are keen to support this development in any way we can.

2. We note that in the consultation, Ofgem aims to ensure the "*costs of this scheme are offset by other changes in the bill, so they are neutral over time.*" We appreciate this ambition but are yet to see it turned into action, with bills predicted to rise in April 2026 and we predict onwards. We urge Ofgem and Government to continue to work together to drive down system costs to keep bills affordable and efficient. We have shared our detailed views on this in other forums.