

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

25 September 2025

Dear Danny,

Energy Price Cap: Amending the price cap methodology to account for the Nuclear Regulated Asset Base (nRAB) 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 its proposal to introduce an allowance for costs associated with the Nuclear Regulated Asset Base (nRAB) scheme, from January 2026 onwards. It is important that the cap methodology is adapted in a timely manner to reflect the costs imposed on suppliers that are not already covered by the cap.

Therefore, whilst we are fully supportive of the introduction of a new cost allowance within the price cap methodology that appropriately reflects the costs to suppliers from the nRAB scheme we do have significant concerns around the delayed manner in which this has been implemented. This has not been helped by the approach that Ofgem is proposing to take to allow suppliers to recover these delayed costs. We outline below alternative approaches that will help to mitigate some of these concerns.

1. Do you agree with our minded to position on placing this allowance in Annex 4 - Policy Cost Allowance Methodology? Please provide the reasons and any alternative suggestions if you disagree?

No, we do not support Ofgem's minded to position on placing the allowance within Annex 4. It would be more sensible to include the new allowance in Annex 2 as this is updated quarterly rather than seasonally (Annex 4) and so would allow the latest forecast and actual nRAB rates from the LCCC to be included in the allowance. Although there is no

wholesale dependency like with CfD there is the potential for forecast error/bias from the LCCC by using less frequent forecasts and less opportunity to include actual outturn data.

2. Do you agree with our minded to position on the recovery of costs incurred between November and December 2025 over a period of 12 months from January 2026? Please provide the reasons and any alternative suggestions if you disagree.

No. There is no reason why known costs that have been already incurred between November and December 2025 should not be fully recovered in the first cap period following implementation, as opposed to a period of 12 months.

Deferred recovery of known costs by suppliers imposes a direct cash flow and revenue impact which would be minimised if payment for the period in question is fully recovered in the cap period commencing January 2026. To proceed with the current proposal would be a further example of the already significant lagged recovery of costs under the price cap methodology which imposes material volume risks and costs on suppliers. We also note that the need for any deferred recovery was wholly avoidable by Ofgem if the allowance had been incorporated into the cap methodology on a more timely basis.

3. Do you have any other views or comments you would like Ofgem to consider in regard to calculating the nRAB allowance?

We do not support the exclusion of any Reserve fund payments costs. It is not relevant as to whether these payments could ultimately be returned to suppliers. We would not expect the actual cash sums involved to be included in the cap methodology; however, the provision of these payments presents a cost of capital charge to suppliers. There is no reason why this cost of capital should not be recoverable under the price cap.

We also propose that the operational cost is built into the allowance methodology at implementation. While these costs are minimal currently and have little impact for suppliers, there remains the potential for these to grow in the future and so its inclusion now protects suppliers from any significant rise in operational costs in the future and therefore any systematic risk of underrecovery of efficiently incurred costs.

We note that in addition to this consultation, Ofgem has published a number of consultations that seek to amend allowances under the cap with the aim of reducing unnecessary risk and cost under recovery by suppliers. EDF has also recently submitted its views to Ofgem on the key risks currently facing suppliers that are either created or not adequately addressed by the DTC. For as long as there is a stringent approach to setting the cap, Ofgem must ensure under recovery of costs by suppliers is mitigated or risk the sectors stability, attractiveness and financial resilience. We would also note that in many instances Ofgem do not allow suppliers to recover past losses when bringing in such change, continuing to do so is unsustainable and risks suppliers financial resilience. A stringent approach can only be retained if Ofgem ensure all allowances are kept up to date to reflect the actual costs that suppliers incur. For this reason, Ofgem must update the price cap and implement any

required changes as soon as any discrepancies between the costs suppliers incur and the price cap methodology are identified.

We look forward to working with Ofgem on implementing timely proposals across the package of proposals that are current subject to consultation.

Should you wish to discuss any of the issues raised in our response, 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", enclosed within a thin black rectangular border.

John Mason

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