

Energy price cap methodology: Nuclear Regulated Asset Base (RAB)

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.

We support this approach.

Volumetric recovery is appropriate, given that payments due from suppliers are linked to consumption.

This approach makes the accuracy of Typical Domestic Consumption Values (TDCVs) even more important. Please see our response to the Benchmark Consumption Review consultation for our views on the importance of payment method specific consumption benchmarks.

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.

We do not agree with Ofgem's minded-to position. Suppliers must be able to collect from customers before payments are expected to be made to the LCCC.

The recent increase in funding obligations placed on Suppliers is unmanageable. Narrow headroom allowances, EBIT allowances, and capital adequacy requirements result in significant cash flow challenges for suppliers. The situation is now worsening due to several significant funding obligations proposed to begin in late 2025/early 2026. The Warm Home Discount expansion being the most significant of these new obligations. We are now in a position where we are simply unable to accommodate any further cash advances.

The proposed two-month nRAB funding gap would require Utilita to front approximately £1.6m. The expansion of Warm Home Discount will cost Utilita an additional £22 million, and recovery is not expected to complete until September 2026. The EBIT and headroom allowances do not allow for Suppliers to build sufficient cash reserves to support such requirements.

Ofgem's stated reason for delaying recovery is to avoid the customer impact of compressed cost recovery. Postponing recovery for this November/December appears to result in higher recovery in 2026. Whilst we acknowledge the need to strike a balance between supplier and customer interests – we believe that this is a clear instance where Ofgem has drawn the wrong conclusion.

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

No.