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10 October 2025

Sent by email to: [priceprotectionpolicy@ofgem.gov.uk](mailto:priceprotectionpolicy@ofgem.gov.uk)

Dear Daniel

Thank you for the opportunity to respond to your call for input on the CfD allowance in the energy price cap. Overall, we believe the changes made by LCCC and Ofgem in setting the CfD allowance in the price cap have removed some of the uncertainty for suppliers. There are however further improvements that should be made to ensure the allowance remains reflective of supplier cost.

Firstly, Ofgem should ensure that the price cap methodology will account for material future costs such as dispatchable power agreements and the clean industry bonus without requiring retrospective allowances.

Secondly, LCCC should be more transparent with its underlying assumptions. For instance, LCCC uses a different view of generator start date assumptions to create its forecasts to the one it publishes. With better quality information suppliers will be able more accurately to forecast both the costs of the CfD scheme and hedge accordingly if they so wish.

Lastly, we expect the costs of the CfD scheme to increase over time as more renewable generators come online. This will be coupled with the additional costs of dispatchable power agreements and the clean industry bonus. With that in mind, we believe that there will come a point where there will be insufficient liquidity in the market for suppliers to hedge effectively against a snapshot from a single day. We believe that this issue could be mitigated by moving to an observation window across several days.

Yours sincerely

James Knight

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