

Suppliers, consumer groups and  
other interested parties

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Date: 9 July 2026

Dear stakeholder,

**Energy price cap – Temporary Unidentified Gas allowance for charge restriction period (“cap period”) 17a (October 2026 to December 2026).**

1. The purpose of this letter is to inform stakeholders on the approach to setting the allowance for Unidentified Gas (UIG) for cap period 17a.
2. The default tariff cap (“the cap”) includes an allowance for Unidentified Gas (UIG). UIG is the level of gas that is unattributable to an individual supply point (ie any losses between gas entering the system and reaching customers).
3. In 2025, feedback from stakeholders and analysis of UIG data suggested the approach to setting the UIG allowance was no longer reflective of the efficient cost faced by suppliers. Following consultation, in August 2025, we set out our decision to change the UIG allowance methodology, moving to a temporary allowance approach.<sup>1</sup>
4. We said that this change is intended to be a temporary measure, while we continue to consider a long-term approach to setting the UIG allowance as part of our 2025-26 price cap programme of work. In our August 2025 decision, we said we would maintain annual updates of the UIG allowance in August based on the temporary approach, until the long-term approach for setting the UIG allowance is finalised.

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<sup>1</sup> Ofgem (2025), Energy price cap additional wholesale allowance: unidentified gas. <https://www.ofgem.gov.uk/consultation/energy-price-cap-additional-wholesale-allowance-unidentified-gas>

5. In August 2025, we also published a call for input on the long-term UIG allowance.<sup>2</sup> Following stakeholder responses, we have been working with Xoserve to develop bespoke analysis on the levels of post-reconciliation domestic UIG, to support the setting of the long-term allowance. As part of this process, Xoserve presented the proposed methodology for this analysis to suppliers in a workshop in April 2026.
6. Since the long-term approach to setting the UIG allowance will not be finalised before the August 2026 cap update, we confirm that we will update the UIG allowance in August 2026 using the temporary approach set out in our August 2025 decision. In doing so, we will:
  - i. Use the average post-reconciliation UIG as a percentage of total throughput over the last two Gas Years (October 2023 to September 2025), using the most recent post-reconciled figures which are available;
  - ii. reallocate this figure to domestic consumers using the forecast weighting factors and forecast consumption from AUGÉ's 2025-26 Annual Statement<sup>3</sup> (where domestic consumers are approximated by the EUC 1ND and 1PD and Classes 3 and 4); and
  - iii. weight the monthly figures by the demand for the relevant quarter to work out an annualised average.
7. We intend to consult on the long-term UIG allowance in Summer 2026, which will be informed by Xoserve's analysis. Depending on responses to our consultation, we are aiming to implement the long-term UIG allowance by the April 2027 cap period.

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<sup>2</sup> Ofgem (2025), Energy price cap: unidentified gas allowance review. <https://www.ofgem.gov.uk/call-for-input/energy-price-cap-unidentified-gas-allowance-review>

<sup>3</sup> Engage Consulting (2025), [Final AUG Statement 2025-2026](#). p.4 and p.18.