

Ofgem - Retail Price Regulation
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Email to: retailpriceregulation@ofgem.gov.uk

24 June 2026

Dear Christopher

Proposed methodology for Electricity Bill Discount Scheme cost 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. EDF is therefore driving the transition towards '[an Electric Britain](#)' – a secure, affordable, low-carbon future for everyone. As [Britain's biggest generator of zero carbon electricity](#), we are investing more than £100 million weekly in Britain's electricity infrastructure. We supply millions of customers with electricity and help homes and businesses switch to electricity for heating, transport and industrial processes.

EDF broadly agrees with Ofgem's proposed approach to integrating the costs of the Electricity Bill Discount Scheme (BDS) into the price cap, with some specific reservations, detailed below.

EDF acknowledges Ofgem's position that transfer costs and government administration costs are the two main categories of costs suppliers will face from the BDS, excepting supplier delivery and operational costs. For this reason, it is sensible that these categories are included as inputs to the cap model. For the avoidance of doubt, we expect that these categories will include the costs associated with the opt-in application process for eligible households without a domestic supply contract.

However, we note that Government's proposals for the BDS also includes mutualisation arrangements to account for potential supplier default and mitigate the related impacts on scheme funding. If such arrangements are triggered, this additional scheme cost will not be captured by the model under Ofgem's proposed inputs. Ofgem must ensure that the BDS is integrated into the cap model in a manner which will capture all relevant and foreseeable scheme costs suppliers could face, without requiring further regulatory intervention at a later date, which could otherwise cause delays to supplier cost recovery.

In Para 2.9, Ofgem has proposed to exclude supplier administration costs, for delivery and operation of BDS, from the proposed amendments to the price cap accounting for recoverable

scheme costs. We note in the Government decision published in March 2026¹, DESNZ set out, at a high level, its intention to enable suppliers to recover some of their administration costs via scheme reconciliation and proposed to set these costs at a fixed level on a per eligible customer basis.

Since this decision, we understand that the work to develop this fixed level approach is ongoing. However, as this currently stands, DESNZ is not planning to cover all supplier administration costs for the BDS. Due to this, suppliers are likely to remain exposed to some elements of implementation and ongoing costs, such as initial implementation and system development, and the ongoing administrative burden of participating in twice yearly reconciliation processes.

Ofgem cannot rely on the assumption that supplier administration costs can naturally be recovered via the flexibility Ofgem has sought to include in the operating cost allowance, as they have done in this consultation document. Under the Default Tariff Cap Act 2018, it is Ofgem's responsibility to ensure that *'...holders of supply licences who operate efficiently are able to finance activities authorised by the licence'*. As a principle, across all such consultations, when considering the integration of new supplier regulatory responsibilities into the price cap model, Ofgem must undertake to perform a proportionate and rigorous assessment of the scale of relevant supplier administrative and operational costs. This must be completed prior to making a decision on whether these costs are of a sufficiently material value to make an adjustment to the operating cost allowance. Given the proliferation of regulatory and Government interventions into the domestic energy retail market over recent years, Ofgem must ensure that relevant price cap allowances are adjusted appropriately. This requires Ofgem to specifically account for each change or new scheme at the point of implementation, rather than default to an assumption that new operational costs will be captured by pre-existing allowances without any examination.

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Mark Hatton, or myself.

I confirm that this letter and its attachment 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 (Price Regulation and Market Dynamics)

¹ <https://www.gov.uk/government/consultations/scheme-design-for-bill-discounts-for-new-transmission-network-infrastructure>

Attachment

Proposed methodology for Electricity Bill Discount Scheme cost allowance

Q1. Do you agree that it is appropriate to introduce a policy cost allowance in the energy price cap to reflect the Bill Discount Scheme, given that it represents an unavoidable systematic cost that electricity suppliers will be exposed to? Please explain your reasoning.

Yes. EDF agrees that supplier costs relating to the implementation and operation of BDS should be included in the policy cost allowance in the price cap.

Q2. Do you agree with our minded-to position to include the Bill Discount Scheme cost allowance in Annex 4 – Policy Cost Allowance Methodology of the price cap? Please provide reasons for your answer.

Yes. EDF agrees, with the caveat that Ofgem must ensure that the costs of scheme mutualisation arrangements will be accounted for in the methodology, from the point of implementation. Sensible suppliers with sustainable business models should not be left at detriment due to the failures of other suppliers, even temporarily.

Q3. Do you agree with our proposed approach to reflecting Bill Discount Scheme costs in the energy price cap on an enduring basis, including the use of DESNZ cost estimates as inputs and recovery on a volumetric (£/MWh) basis? Please provide reasons for your answer and set out any alternative approaches you think we should consider.

EDF broadly agrees with Ofgem's proposed approach, with the caveat that Ofgem must ensure that the costs of scheme mutualisation arrangements will be accounted for in the methodology, from the point of implementation. Sensible suppliers with sustainable business models should not be left at detriment due to the failures of other suppliers, even temporarily. We are concerned that, while transfer costs and government administration costs will represent the main categories of costs supplier will incur as a result of BDS (excepting supplier administration costs), solely including these two categories as formal inputs to the allowance will not allow for timely adjustments to account for mutualisation costs as a result of supplier default. For the avoidance of doubt, we also expect that these categories will include the costs associated with the opt-in application process for eligible households without a domestic supply contract.

Additionally, Ofgem cannot rely on the assumption that supplier administration costs can naturally be recovered via the flexibility Ofgem has sought to include in the operating cost allowance, as they have done in this consultation document. As a principle, across all such consultations, when considering the integration of new supplier regulatory responsibilities into the price cap model, Ofgem must undertake to perform a proportionate and rigorous assessment of the scale of relevant supplier administrative and operational costs. This must be completed prior to making a decision on whether these costs are of a sufficiently material value to make an adjustment to the operating cost allowance. Given the proliferation of regulatory and Government interventions into the domestic energy retail market over recent years, Ofgem must ensure that relevant price cap

allowances are adjusted appropriately. This requires Ofgem to specifically account for each change or new scheme at the point of implementation, rather than default to an assumption that new operational costs will be captured by pre-existing allowances without any examination.

Q4. Do you agree with our proposed approach to calculating the Bill Discount Scheme allowance for price cap periods 17a and 17b (1 October 2026 to 31 March 2027)? Please provide reasons for your answer and set out any alternative approaches you think we should consider.

EDF agrees with Ofgem's proposal to implement the change to the policy cost allowance from October 2026. We note that the Government decision proposed an initial reconciliation at the start of 2027 to enable the scheme administrator (Ofgem) to recover costs for activities undertaken to set up and operate the scheme in its early stages. As such, it is appropriate that suppliers are able to commence recovery for these costs from the earliest opportunity, given the expected availability of necessary Government data to support this calculation.

EDF
June 2026