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SP Transmission (SPT) response to Ofgem Consultation – Proposed Methodology for Electricity Bill Discount Scheme Cost Allowance

Dear Christopher,

SPT welcome the opportunity to respond to Ofgem's consultation on the proposed methodology for incorporating Electricity Bill Discount Scheme (BDS) costs within the default tariff cap.

We recognise that the scope of this consultation is appropriately limited to supplier cost recovery through the price cap, reflecting the policy intent that BDS costs are borne by electricity suppliers and ultimately consumers.

From a Transmission Owner (TO) perspective, we note that the proposed methodology focuses on two categories of costs, transfer payments and administrative costs incurred by the scheme administrator, which are expected to be recovered via suppliers. While we acknowledge that TOs are not directly in scope of the price cap framework and therefore not intended beneficiaries of the proposed cost allowance, we wish to highlight a material gap in the current arrangements underpinning scheme delivery. **Specifically, there is currently no clear or established mechanism through which TOs can recover the incremental administrative costs associated with supporting delivery of the BDS.**

Given the scheme's design, where eligibility is determined based on proximity to new or upgraded transmission infrastructure, TOs will be required to support scheme delivery, including providing asset-level and geographic information to support scheme administration, engaging with stakeholders, communities and the scheme administrator and supporting verification or dispute resolution relating to infrastructure eligibility. **These activities create additional administrative burdens that are not currently funded through existing transmission price control allowances or any explicit BDS-related cost recovery mechanism.**

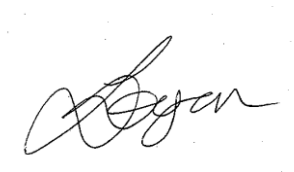
The consultation explicitly recognises administrative costs for the scheme administrator (Ofgem) as a legitimate and recoverable component of the overall scheme cost base. We strongly believe that the administrative costs incurred by TOs should also be a key component of the overall scheme cost base. This highlights potential inconsistency in treatment across parties required to support scheme delivery.

We therefore request that Ofgem, in coordination with DESNZ, considers whether a proportionate and targeted mechanism should be introduced to fund efficient TO administrative costs related to the BDS or clarification is provided on how such costs should be treated within existing regulatory frameworks, for example through RIIO-T3 provisions or uncertainty mechanisms.

Addressing this gap will help ensure that all parties supporting scheme delivery are appropriately funded, implementation risks are minimised and incentives remain aligned for efficient and timely delivery of critical transmission infrastructure.

We would welcome further engagement Ofgem on this matter and can provide additional evidence if helpful.

Yours Sincerely,



Lauren Logan
Head of Regulation and Policy