Rishi Vashani
Consumer Protection & Retail Markets
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

10 October 2025

Dear Rishi,

Energy Price Cap: Enduring Unidentified Gas 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. With over five and a half million electricity and gas customer accounts, including residential and business users, EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

EDF welcomes the opportunity to respond to Ofgem's call for input on key considerations for setting an enduring approach for the Unidentified Gas (UIG) allowance in the cap. We have for some time been calling on Ofgem to review the way in which UIG is calculated under the price cap to ensure that it better reflects supplier costs. For this reason, we were supportive of the recent temporary amendments in approach made by Ofgem in time for the current cap period. We now welcome Ofgem's move to now look at a suitable enduring approach to setting a UIG allowance in the cap that allows suppliers to recover their efficient costs.

We outline below our response to the specific questions Ofgem has raised in its call for input. Firstly, however, we consider it fundamentally important that in considering suitable enduring approaches including assessment of the data challenges, Ofgem should engage with the Allocation of Unidentified Gas Expert (AUGE) as they are the sources of much of the data that will be required to set an appropriate enduring approach.

1. **Do you have any views on data sources we should use to set an enduring allowance on UIG?**

   Use of the AUGE tables for the weightings to define the allocation of UIG per user type, as per the current temporary approach, would be an appropriate approach.

   A further data source would be XOSERVE who also publish UIG as a % of total throughput both with initial and reconciliation volumes, taking a long-term average over recent years,

similarly to the AUGE, forms a more accurate view of likely UIG in the upcoming cap period.

2. **If retaining the interim approach as the enduring approach, what are your views on keeping fixed the weighting factors to split between domestic and non-domestic based on the 2025/26 AUGE report? Are there alternative approaches we could use to retain the same data source but apply a split?**

   The weighting table as published by the AUGE should be used for the enduring period of time that the AUGE publication is applicable for, currently that is for a 3-year period. The use of national AQs broken down by AQ band and meter class - also sourced from the AUGE table - however would benefit from being updated on a more regular basis to reflect the migration from PC 4 to PC 3 and any other changes in industry shift between customer types. Ofgem should consult with AUGE to establish how best this can be achieved.

3. **Do you have any views on the methodology we should use to set an enduring allowance on UIG? This could include:**

   The fundamental calculation method used in the interim update aligns to our expectation for a reflective UiG allowance. However, we agree that there are questions on inputs for source data as asked below.

   a. **number of years of data the calculation should be based on (eg last two gas years);**

   In setting the allowance, there is a balance to be made between using reconciled data over a two-year period and using more recent data that captures increases and decreases in UIG levels. On balance, we consider using a 12-month window would be more appropriate.

   b. **EUCs and Profile Classes to calculate UIG on, including any evidence on which EUCs and Profile Classes price cap customers sit within;**

   With reference to Paragraphs 3.9-3.10 within the call for input, we do not support the statements made by other stakeholders that only Class 4 meters should be used. Our own portfolio, and industry wide data would support the fact that there is sizeable proportion of SVT customers in Class 3.

   In addition to the EUC being a determining factor in the level of UiG, the LDZ is also a factor in gas shipper settlement. There can be significant variances between LDZ areas. A data source for this would be the 'Reconciliation by Month' Report also published by XOSERVE.

c. **frequency of updates.**

We agree that as a minimum an annual review would be appropriate to keep the allowance updated. However, consideration should be given to whether more frequent updates (such as quarterly) should be introduced to ensure suppliers can recover their efficient costs. This could include, for example, updating quarterly with latest rolling 'Xm' of data each quarter for national UIG levels.

We note that in addition to this consultation, Ofgem has published a number of consultations that seek to amend allowances under the cap with the aim of reducing unnecessary risk and cost under recovery by suppliers. EDF has also recently submitted its views to Ofgem on the key risks currently facing suppliers that are either created or not adequately addressed by the DTC. For as long as there is a stringent approach to setting the cap, Ofgem must ensure under recovery of costs by suppliers is mitigated or risk the sectors stability, attractiveness and financial resilience.

We would also note that in many instances Ofgem do not allow suppliers to recover past losses when bringing in such change, continuing to do so is unsustainable and risks suppliers financial resilience. A stringent approach can only be retained if Ofgem ensure all allowances are kept up to date to reflect the actual costs that suppliers incur. For this reason, Ofgem must update the price cap and implement any required changes as soon as any discrepancies between the costs suppliers incur and the price cap methodology are identified. For example, we have seen a clear discrepancy between the cap level and UIG out-turn over the last few months. Due to the use of a long-term average this can result in a lag in the price cap methodology being updated to reflect this.

We look forward to working with Ofgem on implementing timely proposals across the package of proposals that are current subject to consultation.

Should you wish to discuss any of the issues raised in our response, please contact Steven Eyre, or myself. I confirm that this letter may be published on Ofgem's website.

Yours sincerely



John Mason
Senior Manager - Senior Manager (Price Regulation and Market Dynamics)