Consultation

Energy Price Cap: Updated Unidentified Gas allowance

Publication date:	16 November 2026
Response deadline:	14 December 2026
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In this consultation, we set out proposals for updating the approach to setting the Unidentified Gas (UiG) allowance in the price cap. This follows our 2025 decision to introduce a temporary allowance to address concerns that the existing allowance at the time no longer reflected the actual cost of UiG to suppliers, and builds on the feedback we received in response to our subsequent call for input.

We welcome responses from stakeholders to help inform our decision.

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Executive summary

The default tariff cap ('the cap') includes an allowance for Unidentified Gas (UiG). UiG is the level of gas supplied through the network that is unattributable to an individual supply point (that is, any losses between gas entering the system and reaching customers).

We set the cap to protect existing and future customers who pay standard variable or default tariff rates (collectively referred to as default tariff customers). In doing so, we must have regard to, amongst other matters, the ability for efficient licence holders to finance their activities. Previously, stakeholders said that the data we used to set the allowance was not appropriate for estimating UiG as its intended purpose was not to estimate the total losses. We therefore used available industry data to set an interim UiG allowance from October 2025 using a temporary approach. At the same time we committed to developing an enduring approach supported by improved data availability.

In August 2025, we published a call for input on options for updating the approach to setting the UiG allowance on an enduring basis. Stakeholders broadly supported using a bespoke UiG figure provided by Xoserve (the Central Data Service Provider for the gas market), to more accurately reflect UiG attributed to domestic customers. We have been engaging with Xoserve to carry out analysis of different options to calculate this bespoke figure for domestic UiG.

This consultation sets out the proposed methodology for the updated enduring approach to set the UiG allowance using a bespoke measure of domestic UiG calculated by Xoserve, which will be published by Xoserve on its website on an ongoing basis. The aim of this is to enable us to set a UiG allowance that more accurately reflects the domestic UiG costs faced by suppliers.

As we implement the new methodology we expect the allowance will increase slightly. This is a result of incorporating more up to date and complete data. It does not reflect a change in policy intent, which remains to set the UIG allowance at a level that enables an efficient supplier to recover its UiG costs. We estimate the impact of the increase to be approximately £2 (based on the cap level for charge restriction period 17a) to gas customers' bills per year.

We are proposing a phased implementation of the updated allowance from October 2027. This will defer a small amount of cost recovery, which we propose suppliers will be able to recover when the updated allowance is implemented. We consider that this approach appropriately balances our duty to protect the interests of consumers on default tariffs, including limiting bill impacts during a time of high energy prices, with the need for the UiG allowance to provide for the recovery of costs incurred by an efficient supplier.

Until October 2027 we will continue to use the temporary approach to calculating UiG for the default tariff cap allowance.

1. Introduction

In this chapter, we set out the purpose of this consultation and overview of the consultation stages.

Purpose of this consultation

1.1 The default tariff cap ('cap') includes an allowance for Unidentified Gas (UiG). UiG is the level of gas that is unattributable to an individual supply point (that is, any losses between gas entering the distribution system and reaching customers).

1.2 We determined that the previous approach to setting the UiG cap allowance was no longer reflective of suppliers' outturn costs. In response to this, we published a decision in August 2025 to set a temporary UiG allowance whilst we developed an enduring approach.

1.3 This consultation sets out our proposals for an updated approach to setting the UiG allowance in the price cap.

Context and related publications

1.4 The cap plays a key role in the retail market. It was introduced on 1 January 2019 through the Domestic Gas and Electricity (Tariff Cap) Act 2018 and protects customers on standard variable and default tariffs (referred to collectively as default tariff customers). The cap ensures that default tariff customers pay a fair price for their energy that reflects the efficient underlying costs to supply that energy. The cap legislation sets out the objective to setting the cap with a view to protecting existing and future customers who pay standard variable and default rates. We must also have regard to five matters:

- the need to create incentives for holders of supply licences to improve their efficiency
- the need to set the cap at a level that enables holders of supply licences to compete effectively for domestic supply contracts
- the need to maintain incentives for domestic customers to switch to different domestic supply contracts
- the need to ensure that holders of supply licences who operate efficiently are able to finance activities authorised by the licence
- the need to set the cap at a level that takes account of the impact of the cap on public spending

1.5 The majority of gas consumed in Great Britain can be accounted for as it is metered and registered. However, some gas is lost from the system or not registered, for example due to theft, leakage from gas pipes or consumption by unregistered supply points. The gas that is off taken from the Local Distribution Zone (LDZ) system but not attributed to an individual supply meter point or accounted for as shrinkage is referred to as UiG.

1.6 The cap includes an allowance for UiG, which we calculate in 'Annex 2 – wholesale cost allowance methodology'. UiG is expressed as a percentage of gas throughput. The price cap allowance for UiG is set as a single percentage uplift that is applied to the gas wholesale allowance for PPM and non-PPM customers. This reflects the way the costs of UiG are allocated to suppliers for their domestic customers.

1.7 This consultation sets out proposals for updating how we set the UiG allowance in the price cap. In arriving at these proposals we have considered our duties under the Act and consider it is in consumers' interests to ensure the allowance accurately reflects the UiG costs that suppliers incur.

1.8 The key documents relating to this publication are:

- Energy price cap additional wholesale allowance: unidentified gas | Ofgem – July 2025. In this document we sought views on our proposals to carry out an interim update of the UiG allowance, using a different data source to better reflece the cost of UiG in the cap.
- Energy price cap: unidentified gas allowance review | Ofgem- August 2025. In this document we sought views from stakeholders on the approach to setting the UiG allowance on an enduring basis.
- Energy price cap: update for the unidentified gas allowance October to December 2026 | Ofgem – July 2026. In this document we set out our plan to update the UiG cap allowance using a temporary approach whilst the enduring approach is finalised.

Summary of proposals

1.9 This consultation sets out our minded-to proposals for updating the enduring approach to setting the UiG allowance. These proposals have been informed by our 2025 call for input, subsequent stakeholder workshops and data provided to us by Xoserve.

Our proposals are to:

- set the UiG allowance using a bespoke measure of domestic UiG calculated by Xoserve, which will be published by Xoserve on its website

- calculate domestic UiG as UiG for End User Category (EUC) 1, for Product Class 3 and Product Class 4
- use 12 months of input data to calculate the measure
- use data that has been reconciled for at least 12 months
- use data at a national level
- update the allowance from October 2027 and annually each April thereafter

1.10 We are proposing a phased implementation of the updated allowance from October 2027. We consider that this approach strikes an appropriate balance between our duty to protect the interests of consumers on default tariffs and limiting bill impacts during a time of high energy prices. This will result in a small deferral of cost recovery which we propose to account for when the change is implemented.

Stakeholder engagement

We summarise our recent stakeholder engagement on updating the UiG allowance which has informed this consultation.

1.11 On 27 August 2025, we published a call for input on updating the UiG allowance.

- We asked stakeholders for their views on:
  a) data source to use
  b) use of weighting factors if we retain the temporary approach
  c) number of years of data to use in the calculation
  d) End User Categories (EUCs) and Product Classes to calculate UiG on and,
  e) frequency of updates to the UiG allowance in the price cap

- We received responses from nine suppliers, Xoserve and the Retail Energy Code Company (RECCo) to our call for input. Additionally, we received an email from a customer who said that UiG should be priced into Shippers' operating costs rather than being included as an additional allowance in the price cap.

- Whilst we did not ask stakeholders directly for their views on setting the UiG allowance to take into account different UiG across LDZs, we received feedback from two suppliers on this issue.

1.12 On 16 April 2026, we held a workshop with Xoserve and domestic suppliers on the underlying methodology for the bespoke UiG figure. In this workshop we received further views from suppliers on the enduring approach to setting the UiG allowance in the price cap.

1.13 In July 2026, we requested further information from suppliers about the distribution of price cap customers across Product Class 3 and Product Class 4.

Consultation stages

Stage 1 Consultation open: 16 November 2026

Stage 2 Consultation closes (awaiting decision). Deadline for responses: 14 December 2026

Stage 3 Responses reviewed and published: early 2027

Stage 4 Consultation outcome (decision): early 2027

How to respond

We want to hear from anyone interested in this consultation. Please send your response to the person or team named on the front page of this document.

We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

We will publish non-confidential responses on our website.

Your response, data, and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 1.

If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

How to track the progress of a consultation

1. Find the web page for the consultation you would like to receive updates on.
2. Click ‘Get emails about this page’, enter your email address and click ‘Submit’.
3. You will receive an email to notify you when it has changed status.

A consultation has three stages: ‘Open’, ‘Closed (awaiting decision)’, and ‘Closed (with decision)’.

2. Summary of proposals

In this section we summarise our proposals for updating the methodology for setting the UiG allowance in the price cap.

Proposals on each issue

2.1 Source of data used to calculate domestic UiG

- We propose to use a bespoke figure calculated by Xoserve. This figure will be published by Xoserve on their website.

2.2 Period of data used to calculate UiG

- We propose to use 12 months of data to calculate this figure, using data from each October to September (a Gas Year).
- We propose to use data which has been reconciled for at least 12 months. For example for updating the allowance in April 2028, we would use data from October 2025 to September 2026.

2.3 End User Categories (EUC) and Product Classes (defined in Section 3.1 and 3.2 below)

- We propose to calculate domestic UiG for EUC1, including both Product Class 3 and Product Class 4.

2.4 Aggregation level

- We propose to set a national UiG allowance. This means there will be one UiG percentage uplift figure for all charge restriction regions.

2.5 Update in the price cap

- We propose to update the UiG allowance annually. This means the UiG percentage uplift will be the same for four cap updates. The value of the UiG allowance will still fluctuate over the year as a consequence of changes in direct fuel costs. We propose to update the allowance in the April-June cap period each year (except for 2027, where we are proposing a phased implementation of the updated allowance from October 2027).

Impact of proposals on the allowance

2.6 Based on our proposals, we estimate the most recent UiG allowance would be set at 3.60%.

2.7 This is calculated using data from October 2023 to September 2024 with at least 12 months reconciliation. For updating the allowance each year in April, the data will have had more than 12 months of reconciliation.

- Since domestic UiG has been trending upwards in recent years, we expect a slight increase in the October 2027 update of the allowance (which will use data from October 2024 to September 2025).

2.8 We expect that the UiG allowance using the proposed updated methodology will be overall slightly higher than the UiG allowance using the (current) temporary approach based on current data. This is predominantly the result of incorporating more up to date and complete data, and to a lesser extent small differences in the AUGE weighting factors and differences in the underlying calculation.

2.9 We estimate the impact of the increase to be approximately £2 per year to gas customers' bills using cap period 17a (October 2026 to December 2026) as a baseline. However, given the UiG uplift is indexed to the wholesale allowance, the exact impact in a given cap period will be dependent on prevailing wholesale gas costs.

2.10 We are proposing a phased implementation of the updated enduring allowance from October 2027. This will result in a small deferral of cost recovery. We propose to allow suppliers to recover the deferred amount over the 6-month period from October 2027 to March 2028. That is, we will calculate the difference between the April 2027 and July 2027 UiG allowances at a per customer level under the temporary approach and the allowances that would have applied under the updated enduring approach, and allow suppliers to recover that difference over this 6-month period. Based on our latest estimates we expect this to be less than 50p on the headline cap level.

3. Considerations

In this section we provide further details about each of our policy proposals.

Calculating the post-reconciled domestic UiG percentage figure

3.1 In response to our call for input, stakeholders generally supported using a bespoke figure of post-reconciled domestic UiG produced by Xoserve as the source of data for the UiG allowance, saying this would improve accuracy and transparency of the allowance and how it is calculated. There are several possible methodologies for calculating the domestic post-reconciled UiG percentage, including decisions on the number of years of input data to use and the number of months of reconciliation on the data. Since receiving responses to our call for input, we have been working with Xoserve to produce historical analysis of domestic post-reconciled UiG under a range of methodological options (a summary of the results from this analysis is provided in Appendix 1).

3.2 This section sets out our assessment of the different approaches to calculating this figure and our minded-to proposals, informed by the findings of that historical analysis and other considerations.

End User Categories (EUCs) and Product Classes

Overview of EUCs and Product Classes

3.3 EUCs categorise gas consumers by their different usage pattern, with categories 1 and 2 representing lower consumption bands (0 to 73.2 MWh per year and 73.201 to 293 MWh per year respectively). Both categories are split across (i) domestic and non-domestic, and (ii) pre-payment and non-prepayment meters.

3.4 Product Classes relate to the type of meter arrangement in place, with Class 3 and 4 representing supply points that are Non-Daily Metered (NDM). Class 3 meters are read daily, with reads sent in batches on a regular basis by Shippers. Class 4 meters are read at agreed intervals: annually, every 6 months or monthly (supply points over 293 MWh are read monthly).

3.5 Product Class allocation is up to the discretion of the Shipper. If a meter has the capability for a daily read, it is up to the Shipper to allocate the meter to Class 3 or Class 4.

Stakeholder comments

3.6 Stakeholders said that any EUC and Product Class associated with domestic usage should be included in the calculation for UiG (i.e., EUC1, Product Class 3 and Product Class 4). Some stakeholders said that EUC2 should also be included, however Xoserve said that this category includes a high proportion of non-domestic users.

3.7 Stakeholders also said that UiG costs are lower for Class 3. They also said that, as the smart metering rollout progresses, there will be a migration to Class 3 over time, which should also have the effect of lowering total UiG. This is because the daily meter read requirement supports monitoring of gas consumption, and therefore can help to identify causes of gas losses. Suppliers generally say that it is easy to move customers between Product Classes, with some having automated processes.

3.8 We therefore encourage suppliers to continue to migrate customers from Class 4 to Class 3, to support industry efforts to reduce overall levels of UiG.

Our proposal

3.9 For calculating domestic post-reconciled UiG percentage, we propose to include EUC 1ND and 1PD, which reflect domestic non-prepayment and pre-payment meters. We considered using EUC 2ND and 2PD, however Xoserve has advised that these categories also include some non-domestic customers due to data quality issues. We therefore propose not to include this category in the calculation.

3.10 We also propose to include both Product Class 3 and Product Class 4. We calculate UiG using combined data for Product Classes 3 and 4, that is, we do not calculate UiG for Product Classes 3 and 4 separately and then calculate the average or a weighted average.

Our considerations

3.11 We requested information from suppliers on the distribution of their price cap customers across Product Classes 3 and 4 to assess whether this differed from the overall population distribution and whether weighting should be applied within the UiG calculation to reflect these customer splits.

3.12 The data showed significant variation between suppliers. Some suppliers had a high proportion of customers in Product Class 3, while others had the majority of customers in Product Class 4. However, applying a weighted average based on supplier-reported distributions of price cap customers produced results that were very similar to those obtained using the population-level distribution. Therefore, for simplicity and transparency, we propose using the population-level figure.

3.13 Another reason we propose not to calculate a weighted average UIG figure for the price cap is because the AUGE weighting factors for Gas Year 2025-26 will also apply to Gas Years 2026-27 and 2027-28 (in accordance with Modification 0873). Any migration between Product Class 4 and Product Class 3 in this time will therefore not be reflected in the AUGE weighting factors. These AUGE weighting factors will be used to determine domestic post-reconciled UiG values, and if we calculated UiG in the price cap using a weighted average of Product Class 3 and Product Class 4 UiG there may be a concern about short-run distortion of this weighted average figure. This is not a concern if we used a combined value of UiG in Product Class 3 and Class 4.

Period of data used to calculate UIG

Stakeholder comments

3.14 There were mixed views about the number of years of data to use to calculate domestic UiG. Some stakeholders favoured using 12 months of data to set the UiG allowance, saying this would better reflect current levels of UiG and provide more timely cost recovery. These stakeholders noted that recently UiG has trended upwards, therefore using 12 months of data would support timely cost recovery. However, several stakeholders supported using 24 months to reduce volatility of the allowance.

Our proposal and considerations

3.15 For the temporary UiG allowance we used data from the most recent two Gas Years (i.e. 24 months) to set the allowance. This was because at the time of implementation, using 24 months was more accurate (a greater proportion of it was reconciled) and to reduce volatility of the allowance.

3.16 For updating the UiG allowance, we considered using 12 months of data and 24 months of data. We are minded to use 12 months of data, because, upon examination of the historical evidence, we do not think it substantially increases volatility of the allowance and consider it preferable to ensure more timely cost recovery. We welcome views on this.

Reconciliation lag

Overview of reconciliation lag in UIG data

3.17 Gas demand is reconciled over time as more data becomes available (for example as meter readings are carried out). This affects UiG. The reconciliation process occurs until a defined point in time.

3.18 Xoserve performs this reconciliation on UiG data from initial allocation up to the Line in The Sand (LIS), which is the gas industry's common term for the Code Cut

Off Date, which is two years (the LIS rules changed from 1 April 2026 following the implementation of UNC Modifications 0886V and 0896). This means that UiG data is not finalised until it has been fully reconciled (or after the LIS).

Stakeholder comments

3.19 Most stakeholders, including Xoserve, said that there should be at least a 12-month lag between initial allocation and use in the allowance, saying that this should result in sufficiently reliable data. Several stakeholders noted material (upwards) changes between initial allocation and final reconciled values up to 12 months. One stakeholder suggested an alternative option of including months that have over 80% reconciliation, which could enable inclusion of more recent data (however they also noted the importance of using a consistent reference point). One stakeholder suggested using data with a 3-month lag, saying that this would remove months where less than 80% of the original allocation has been reconciled.

Our considerations

3.20 To set the price cap allowance we consider it important to use accurate and reliable data, to ensure that the cap accurately reflects suppliers' efficient costs. This means there is a balance to be struck in terms of the length of reconciliation lag.

3.21 We asked Xoserve to calculate historic levels of post-reconciled domestic UiG for data with different levels of reconciliation. Comparing data with a 6-month, 9-month, 12-month and full reconciliation, we consider using data which has been reconciled for at least 12 months is most favourable. This is because there are instances of material differences between less reconciled data compared to fully reconciled (see Table A1 for comparison between different reconciliation lengths).

3.22 We observe that there is a consistent upward bias in reconciliation (that is, as data is reconciled, UiG tends to increase). Using data which has been at least 12 months reconciled means the data should be reliable enough for use in the UiG allowance, thereby reducing the risk of under-recovery compared to using data which is less reconciled.

Our proposal

3.23 When setting the UiG allowance for a particular year, there are two factors that could affect accuracy. Using data which had been reconciled over a suitable period of time would support accuracy, as this would provide a closer representation of the costs that suppliers ultimately face. Using more recent data would also support accuracy, particularly as this would reflect any trends in UiG levels.

3.24 There is a trade-off between these design features. We consider that using data which is at least 12 months reconciled is a suitable approach to support accuracy. We are therefore minded to propose to use data which has been reconciled for at least 12 months for the calculation of the UiG allowance, and we welcome views on this proposal.

Questions

Q1. Do you agree with our proposal to calculate domestic UiG including EUC1 for Product Class 3 and Product Class 4?

Q2. Do you agree with our proposal to calculate domestic UiG using 12 months of data which has been reconciled for at least 12 months?

Setting a regional allowance for UiG

3.25 Currently, the UiG allowance is set at a national level, with the same UiG percentage uplift for all charge restriction regions.

Stakeholder comments

3.26 Both suppliers who responded on this issue highlighted that UiG costs vary by LDZ and the current UiG allowance does not reflect regional differences. They said this may therefore result in competitive distortions where suppliers' customer bases are concentrated in regions with high or low UiG costs. One supplier noted that setting a regional UiG allowance would align with how the gas transportation allowance is set.

Our considerations

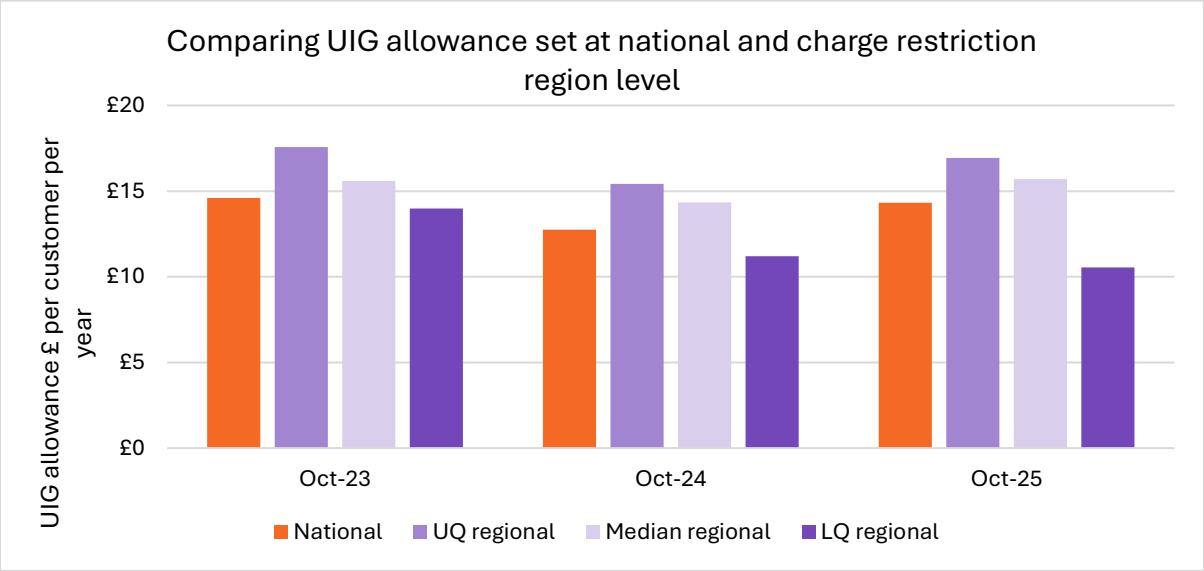
3.27 We observe that Xoserve's analysis of post-reconciled domestic UiG showed regional variation in UiG at LDZ level, with regions in the north of England and regions in Scotland having higher levels of UiG on average than other regions.

3.28 We have estimated the impact on allowances for suppliers, based on the distribution of customers across different LDZs. We find the impact of setting a regional allowance, compared to national, is small (we estimated that for 2021-24, the average maximum deviation from national allowance was -0.22%). This is because, whilst there are some differences across LDZs, there is sufficient diversity in suppliers' customer bases across LDZs with higher and lower levels of UiG that overall there is little difference to the amount suppliers will actually recover from their customers.

3.29 We analysed the impact of setting UiG at the charge restriction region level and compared this to an allowance set at the national level. A summary of the results

is shown in Figure 1 below. Some regions would receive a higher UiG allowance compared to other regions.

Figure 1: UiG allowance £ per customer per year set at a national level compared to a charge restriction region level.



Our proposal

3.30 Given the impact of setting a regional allowance on suppliers is small, we do not consider it is necessary to move away from the current national allowance.

3.31 Whilst we recognise that some UiG costs are out of the control of suppliers, we do consider there are measures suppliers can take to reduce the UiG costs they face (such as migrating customers to Class 3 from Class 4). Suppliers with customers concentrated in regions which have higher UiG costs could also proactively engage in practices which reduce UiG. Therefore, we propose to maintain a national allowance for UiG.

Questions
Q3. Do you agree with on our proposal to set UiG at a national level?

Updating the UiG allowance in the price cap

Frequency of update

3.32 We currently update the UiG allowance annually, and in our call for input we said that we considered an annual review to be the most appropriate approach.

3.33 Most stakeholders said that the UiG allowance should be updated at least annually, to ensure the allowance is updated to be reflective of actual costs. There was a view that annual updates strike the right balance between bill stability and accuracy. Some stakeholders favoured quarterly updates, if there are material changes in UiG levels, to improve accuracy.

3.34 We propose to update the UiG allowance in the cap annually. We consider an annual review would be the most appropriate in finding the balance between keeping the allowance regularly updated without increasing volatility in the allowance and the frequency of bill changes.

When to update the allowance

3.35 We will update the UiG allowance using the updated approach in the October to December 2027 cap period, and annually in the April to June cap period thereafter.

3.36 Updating in the April to June cap period enables us to use data from October to September which has been reconciled for at least 12 months. For example for updating the allowance in April 2028, we would use data from October 2025 to September 2026.

3.37 We are proposing to phase in implementation of the updated allowance from October 2027.

3.38 We propose to allow suppliers to recover a deferred amount in the 6-month period from October 2027 to March 2028. That is, we will calculate the difference between the April 2027 and July 2027 UiG allowances (using the temporary approach) and the allowances had we updated the approach, and allow suppliers to recover this allowance over the October 2027 to March 2028 period. Based on our latest estimates we expect this to be less than 50p on the headline cap level.

Questions

Q4. Do you agree with our proposal to update the UiG price cap allowance to the updated approach in October 2027, and maintain annual updates in the April cap period thereafter?

Q5. Do you agree with our proposal to allow suppliers to recover a deferred amount in the October 2027 and January 2028 cap periods?

Other issues

Accounting for seasonality

3.39 For the temporary allowance, we weighted monthly UiG figures by the demand for the relevant quarter to work out an annualised average to account for seasonal variation (as UiG tends to be higher during periods of greater gas demand).

3.40 In our workshop held in April 2026, a supplier said that we should consider how we account for seasonality for the updated approach to setting the UiG allowance.

3.41 For the updated approach we do not need to apply any additional seasonal adjustments to the post-domestic UiG percentage figure. This is because the figure calculated by Xoserve takes annual UiG (total post-reconciliation NDM domestic UiG) as a percentage of annual energy (total post-reconciliation NDM domestic energy). This means months with higher consumption contribute more to the overall figure – so it is naturally weighted for seasonal variation.

Including a price cap allowance for UiG

3.42 A customer raised a view that UiG should not be included as a separate price cap allowance, but instead be priced into suppliers operational costs.

3.43 Since the size of UiG costs is dependent on prevailing wholesale costs, we consider it is appropriate that UiG is indexed to the wholesale cap allowance.

Incentives to reduce UiG.

3.44 One supplier said that it does not consider setting a UiG allowance below the costs a notional supplier incurs will create incentives to reduce UiG. They also noted that there are other mechanisms in place to address the causes of UiG.

3.45 We aim to set the UiG allowance which ensures an efficient supplier recovery of their UiG costs. We agree that there are mechanisms in place to help address the causes of UiG and we encourage Shippers to undertake measures to reduce UiG. For example, proactively migrating customers to Product Class 3 which has lower levels of UiG.

Questions

Q6. Do you have any comments on any other aspects of the proposed methodology to set the UiG allowance?

Appendix 1. Results from Xoserve's analysis

Xoserve provided Ofgem with the below range of results for different calculation methodologies of domestic post-reconciled UiG. Results were provided in June 2026 (latest billing period used in the analysis was April 2026).

Table A1: Domestic post-reconcilied UiG percentage national level – results from Product Class 3 and 4

Input data	Period	6 month reconciliation lag	9 month reconciliation lag	12 month reconciliation lag	Using latest reconciled data**
12M	Oct 2021 to Sep 2022	2.35%	2.45%	2.70%	3.07%
12M	Oct 2022 to Sep 2023	2.64%	2.79%	2.99%	3.63%
12M	Oct 2023 to Sep 2024	3.13%	3.43%	3.60%	3.76%
12M	Oct 2024 to Sep 2025	3.91%	No data	No data	4.03%
12M	Apr 2022 to Mar 2023	No data	No data	2.71%	No data
12M	Apr 2023 to Mar 2024	No data	No data	2.99%	No data
12M	Apr 2024 to Mar 2025	No data	No data	3.96%	No data
24M	Oct 2021 to Sep 2023	2.77%	2.84%	2.98%	3.33%
24M	Oct 2022 to Sep 2024	3.20%	3.39%	3.54%	3.69%
24M	Oct 2023 to Sep 2025	3.81%	No data	No data	3.90%

*12M refers to 12 months of input data, 24M refers to 24 months of input data.

**"Using latest reconciled data" means using UiG for the latest reconciled data available. For October 2021 – September 2022 data, this had 24 months of reconciliation (up to LIS). For October 2024 – September 2025 data, this had 7 months of reconciliation (using latest billing period April 2026).

Table A2: Domestic post-reconciled UiG percentage national level – results from Product Class 3 only

Input data	Period	6 month reconciliation lag	9 month reconciliation lag	12 month reconciliation lag	Using latest reconciled data**
12M	Oct 2021 to Sep 2022	1.56%	1.63%	1.83%	2.10%
12M	Oct 2022 to Sep 2023	1.53%	1.62%	1.74%	2.13%
12M	Oct 2023 to Sep 2024	1.64%	1.79%	1.88%	1.98%
12M	Oct 2024 to Sep 2025	2.00%	No data	No data	2.06%
12M	Apr 2022 to Mar 2023	No data	No data	1.55%	No data
12M	Apr 2023 to Mar 2024	No data	No data	1.59%	No data
12M	Apr 2024 to Mar 2025	No data	No data	2.07%	No data
24M	Oct 2021 to Sep 2023	1.74%	1.79%	1.88%	2.11%
24M	Oct 2022 to Sep 2024	1.78%	1.88%	1.96%	2.06%
24M	Oct 2023 to Sep 2025	1.97%	No data	No data	2.02%

*Notes as per Table A1

**Notes as per Table A1

Table A3: Domestic post-reconciled UiG percentage national level – results from Product Class 4 only

Input data	Period	6 month reconciliation lag	9 month reconciliation lag	12 month reconciliation lag	Using latest reconciled data**
12M	Oct 2021 to Sep 2022	2.49%	2.59%	2.86%	3.25%
12M	Oct 2022 to Sep 2023	2.89%	3.06%	3.26%	3.96%
12M	Oct 2023 to Sep 2024	3.41%	3.74%	3.92%	4.09%
12M	Oct 2024 to Sep 2025	4.27%	No data	No data	4.41%
12M	Apr 2022 to Mar 2023	No data	No data	2.97%	No data
12M	Apr 2023 to Mar 2024	No data	No data	3.26%	No data
12M	Apr 2024 to Mar 2025	No data	No data	4.32%	No data
24M	Oct 2021 to Sep 2023	2.97%	3.05%	3.19%	3.58%
24M	Oct 2022 to Sep 2024	2.49%	2.59%	2.86%	3.25%
24M	Oct 2023 to Sep 2025	2.89%	3.06%	3.26%	3.96%

*Notes as per Table A1

**Notes as per Table A1

Privacy policy

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

We may share your responses, including any personal data within them, with the Department for Energy Security and Net Zero.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for six months after the project, including subsequent projects or legal proceedings regarding a decision based on this consultation, is closed.

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data

- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
    - to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at https://ico.org.uk/ or telephone 0303 123 1113.

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information For more information on how Ofgem processes your data, view our Ofgem privacy policy.

Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this consultation. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.