

To: **All Domestic Suppliers**

Date: 21 June 2017

Email: PPM.PriceCap@ofgem.gov.uk

Dear all,

From 1 October 2017 the level of the Prepayment Charge Restriction (or prepayment price cap) will be revised according to the methodology set out in standard condition 28A ("**SLC 28A**") of gas and electricity supply licences.

This communication summarises the key dates leading up to the second Charge Restriction Period in October 2017, and confirms suppliers' obligations in relation to providing Assumed Consumption Splits for Multi-Register Metering Arrangement Prepayment Tariffs.

Capitalised terms in this communication have the meaning given to them in SLC 28A of gas and electricity supply licences.

Key dates for Charge Restriction Period starting 1 October 2017

3 July 2017	Suppliers due to submit to Ofgem Assumed Consumption Splits for customers with non-Economy 7 Multi-Register Metering Arrangements, and associated evidence, using PPM.PriceCap@ofgem.gov.uk
19 July 2017	Ofgem to share with suppliers a description of the inputs we propose to use to set the prepayment price cap for the coming Charge Restriction Period. Any comments or questions from suppliers due by 24 July 2017.
02 August 2017	Ofgem to share with suppliers final values of the wholesale, policy and inflation indices we are intending to use to set the cap, as well as an updated version of the CMA's model, showing our calculations of the networks component of the cap for each region. Any question or comments due by 03 August 2017.
No later than 07 August 2017	Levels of the revised cap published, along with any directions for suppliers to use an alternative consumption split
1 October 2017	Updated price cap takes effect
6 October 2017	Suppliers due to submit compliance report to Ofgem, providing full details of their Prepayment Tariffs

Please note that this table reflects our current best view of the timetable associated with the forthcoming revision to the cap. Wherever possible suppliers will be given advance notice if timings depart from this timetable.

Assumed Consumption Splits

Economy 7 Tariffs

The licence condition states that an Assumed Consumption Split between off-peak and peak consumption of 38% to 62% will be used for all Economy 7 tariffs, unless the Authority directs suppliers to use an alternative split.

As part of our ongoing work to update the Typical Domestic Consumption Values, one area that we will consider is the proportion of Economy 7 customers' consumption which takes place in peak and off-peak periods.

There is a possibility that we may decide to direct suppliers to use an alternative split for assessing the compliance of their Economy 7 tariffs, based on that analysis. If we do, then suppliers will be notified during July, and will be given a chance to provide representations on the revised split before any such direction is issued. Please note that any revised split would also affect the calculation of the network charge allowance for multi-register customers, as per paragraph 28A.9 of the electricity licence.

Other Multi-Register Prepayment Tariffs

Where a Multi-Register Metering Arrangement Prepayment Tariff other than Economy 7 is offered, suppliers must provide us with the Assumed Consumption Split between each rate to allow compliance to be assessed for that tariff.

This must be accompanied by historic consumption data or, in the absence of historic data, evidence of the basis on which the Assumed Consumption Split has been calculated. Full details of the methodology used should be provided, including details of:

- The tariff to which the split relates (and associated metering arrangements)
- Details of the methodology used to calculate the split, including:
 - the period covered by the data
 - whether the data relates to prepayment customers only, or customers using all payment methods
 - whether the consumption information is based on Estimated Annual Consumption values or alternative consumption values

SLC 28A of electricity supply licences requires suppliers to provide this information to us no less than three months before the relevant Charge Restriction Period. Because 1 July falls on a weekend, we expect companies to submit the information for the coming update to the cap no later than 9am on 3 July 2017.

Treatment of customers on Economy 7 tariffs in Scotland

Please note that while we will consider alternative proposals, we are likely to direct all suppliers to use the standard Economy 7 split for customers on Economy 7-like meters in Scotland (i.e. two rate meters, with an 8 or 8.5-hour off-peak period).

Directions for alternative compliance

As described in 28A.19/21 and 28A.20/22 of SLC 28A of gas and electricity supply licences (respectively) and paragraph 65 to 73 of the CMA's explanatory note, a supplier may apply for us to issue a direction for compliance of a tariff to be assessed on an ex-post basis (ie based on the actual consumption of their customers, rather than having to be compliant with the level of the cap for all possible levels of consumption).

Where a supplier would like to seek a direction for a tariff in the next Charge Restriction Period, we would ask them to do so as early as possible. They should provide:

- Details of the proposed tariff
- Evidence in relation to the expected consumption of customers on the tariff
- Reasons why a multi-tier structure cannot be used to avoid the necessity for a direction to be issued
- A description of how the amount customers' have paid will be assessed to ensure that they have not exceeded the level of the cap in a given charge restriction period (and process for paying rebates if this happens in practice)

Compliance report

Under SLC 28A, suppliers must provide us with a report no more than five working days after the start of each Charge Restriction Period which demonstrates the compliance of each prepayment tariff that they offer. The next such report will therefore be due on 06 October 2017 for the charge restriction period commencing 1 October 2017.

The required content of the report is specified in standard licence condition 28A.29; and we have published a reporting template on our website [here](#). Following suppliers' submissions for the first Charging Period, we intend to make some minor changes to the descriptions in the template to provide additional clarity – we will publish the revised template in early July.

Responses and questions with regard to this letter and all matters relating to our administration of the price cap should be sent to the dedicated prepayment price cap mailbox, PPM.PriceCap@ofgem.gov.uk.

Yours faithfully,

Anna Rossington
Associate Partner -Consumers & Competition