



Making a positive difference  
for energy consumers

All Stakeholders

Email: [retailpriceregulation@ofgem.gov.uk](mailto:retailpriceregulation@ofgem.gov.uk)  
Date: 29 August 2018

**Default Tariff Cap: Further information statutory consultation and notice of intent to open a Disclosure Room to allow review of data underlying the cap**

Dear Stakeholders,

Further to my letter dated 16 August, the purpose of this letter is to confirm the publication date for our statutory consultation on the the temporary tariff cap for customers on Standard Variable (SVT) and default tariffs (the 'default tariff cap') is set to run from 6 September to 8 October.

As part of our policy development process, Ofgem has received information and/or data from a number of parties to inform the development of the default tariff cap.

In light of the particularly sensitive and confidential nature of the underlying data, Ofgem considers it necessary to disclose the underlying data to a limited number of approved external legal and/or economic advisers of the relevant parties. In doing so, Ofgem intends to disclose the underlying data through a disclosure room (the 'Disclosure Room').

In particular, Ofgem has received data and/or information underlying the default tariff cap, which will be included in the Disclosure Room, in the form of:

1. **Smart Metering Costs:** we have used the current BEIS SMIP Cost Benefit Analysis (CBA) model, as the starting point for our analysis. We have made a number of modifications, including the removal of cost and benefit categories considered not relevant to suppliers in this context as well as using more recent information from suppliers to better reflect the incremental net cost of smart metering on suppliers. As a result, we have created new outputs from the model that specifically calculate the net cost to energy suppliers for the purpose of setting the default tariff cap ("the model"); and
2. **Wholesale allowance models:** Our analysis starts with a bottom-up model. In addition to this there are two allowance models, one for each fuel. These models assess allowances for shaping, forecast error and imbalance costs after we have assessed the initial cost of forward wholesale contracts. The value for transaction costs are also included in these allowance models. The full suite of allowances for wholesale costs can be seen in the bottom-up model.

Specific details of the Disclosure Room are set out below.

## **Disclosure Room**

The Disclosure Room will include the information and data underlying the Smart Metering Costs model and the Wholesale allowance models.

The Disclosure Room will be open on each Ofgem Working Day from 17 September 2018 until 3 October 2018 inclusive. Its hours of operation will be from 9:30am until 5pm on each day.

A set of rules will govern the operation of the Disclosure Room, including the equipment and software that will be provided by Ofgem. There will be limitations on the numbers of individuals allowed to access the data room.

## **Access to the Disclosure Room**

In order to safeguard the confidentiality of the Underlying Data, access to the Disclosure Room will be granted to a limited number of approved external legal and/or economic advisers working on behalf of interested parties.

External advisers, and the firms they represent, will be required to sign legally binding Undertakings and agree to comply with the Disclosure Room rules before they will be granted access to the Disclosure Room.

Ofgem is prepared to approve up to a maximum of seven external legal and/or economic advisers per party to access the Disclosure Room. Only the authorised advisers will be allowed in the Disclosure Room, subject to a maximum of two authorised advisers at any one time.

This notice invites interested parties to submit expressions of interest to access the Disclosure Room, together with an explanation of their interest and the reasons for requesting access to the Disclosure Room, and details of the interested party's external legal and/or economic advisers (ie name, job title and employer) seeking entry to the Disclosure Room.

Any expressions of interest together with any comments interested parties have must be submitted to [retailpriceregulation@ofgem.gov.uk](mailto:retailpriceregulation@ofgem.gov.uk) by midday 04 September 2018.

Ofgem will consider each expression of interest received within the above deadline, and the reasons given for access to be granted, before deciding, at Ofgem's discretion, whether to grant access to the interested party to the Disclosure Room.

Yours faithfully,

**Anna Rossington**

**Deputy Director, Retail Price Protection**