

## Executive Summary

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1. Centrica welcomes the opportunity to respond to Ofgem's consultation on "protecting energy consumers with prepayment meters"<sup>1</sup>.
2. It is important that Ofgem acts on the Prepayment Meter (PPM) cap. Without action by Ofgem, when the current PPM cap expires at the end of 2020 PPM customers on default tariffs would be subject to the direct debt customer level of the Default Tariff Cap (DTC). This cap would be at least £50 too low and would have the effect of reversing the CMA's decision to increase the PPM cap as part of its mid-term review.<sup>2</sup> As part of this review, both Ofgem and the CMA recognised that the old PPM price cap was lower than is appropriate and would not serve the long term interest of PPM customers. It is therefore important that Ofgem acts to replace the existing PPM cap before its expiry.
3. While we welcome Ofgem's recognition of the need to allow the additional costs of serving PPM customers to be recovered, we remain concerned that the present proposals will not allow full cost recovery in practice without further modification. We explain the reasons for this in this executive summary, focussing on the two most important issues: the PPM uplift and the PPM non-pass-through Smart Metering Net Cost Change (NPT SMNCC). Our detailed response, covering these and other issues raised by Ofgem in its consultation is included in an Appendix.

### **PPM Uplift**

4. We agree that it is not necessary for Ofgem to conduct a reassessment of the quantum of additional PPM costs (currently £68) established by the CMA and implement a fully cost reflective PPM price cap.
5. As Ofgem notes, the true level of additional cost to serve PPM customers are higher than the CMA's estimate. However, we recognise that this value has been embedded in the opex allowance for credit customers, given the methodology that Ofgem used when it set the DTC. If Ofgem were to seek to implement a fully cost reflective price cap, Ofgem would need to review the opex allowance alongside the PPM uplift to ensure consistency and to avoid cherry picking of cost categories. Ofgem would need to collect and consider a large amount of additional data to do this. We do not consider it is possible, or appropriate, to do this at the current time:

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<sup>1</sup> Ofgem (10 March 2020), "Protecting energy consumers with prepayment meters".

<sup>2</sup> CMA, (31 July 2019), "Review of the Energy Market Investigation (Prepayment Charge Restriction) Order 2016".

- Ofgem has not programmed such a review and it is doubtful if this could be accommodated in time for the October cap;
  - COVID 19 prioritisation pressures on Ofgem and suppliers will further reduce the ability to commit to such a review at this time; and
  - as Ofgem recognises, such an unprogrammed review of the DTC opex allowance would not be appropriate and could distort efficiency incentives for suppliers by moving the definition of efficiency.
6. Therefore, we consider that it is reasonable to adopt the “tariff differential approach” put forward by Ofgem at this time.
7. Ofgem does, however, need to ensure appropriate overall cost recovery by increasing the PPM cap, or the credit cap, or both. There is an error in the way that Ofgem deals with the fact that the prepayment allowance is too low. Ofgem suggests that £5 of additional PPM costs are already reflected in credit DTC, meaning no further adjustment is necessary. But this conclusion appears to rest on the assumption that additional costs are recovered equally from all credit customers, not just those subject to DTC. This assumption is both un-evidenced and unlikely, given that additional PPM costs don’t impact the marginal cost of supplying customers on competitive Fixed Term Contract (FTC) credit terms.
8. Varying the assumption so that FTC credit customers don’t bear additional PPM costs implies a material shortfall of around:
- £13 for PPM if recovered solely from PPM customers; or
  - £4 applied to all DTC payment method uplifts under Ofgem’s ‘tariff differential’ approach; or
  - £5.50 if – for policy reasons, to shield PPM customers from any increase – applied only to DTC credit payment uplifts.
9. We explain these calculations further in the Appendix to this Executive Summary. Ofgem has the data to make these adjustments and does not need to reopen any opex assessments to do so.

## **PPM NPT SMNCC**

10. Whilst we agree in principle that the NPT costs for smart PPM will be different to those for credit PPM, calculating the appropriate level for the NPT is not going to be possible prior to the commencement of the next cap period. Ofgem should therefore adopt its contingency option for NPT SMNCC, setting it to zero for the next cap period (as per the current PPM cap).
11. There are a number of reasons why it will not be possible to determine a new value for NPT SMNCC for PPM customers in the time available.
- Ofgem has not shared the quantitative implications of its proposals. This means that we do not have the information on how the proposed approach will impact our business and may therefore need to comment further on Ofgem’s approach after the statutory consultation.
  - We have longstanding concerns about transparency and reliability of the SMNCC modelling that Ofgem has conducted. Historically it has been subject to a number of

flaws, the model has never been published and is only accessible under restrictive conditions. These concerns apply just as much to the calculation of a PPM NPT SMNCC as they do to a credit NPT SMNCC. To date, no visibility has been provided for the PPM NPT SMNCC modelling that Ofgem has done. We believe that the process required to assess the model, verify its workings and then for Ofgem to update it in recognition of any errors that might be found would take time.

- In addition to concerns about the model, we also have concerns about the assumptions that are used as inputs to the calculation which are not transparent and have not been consulted upon. Consequently, it is not clear to us whether the costs and benefits associated with PPM smart meters have been properly identified.
  - Most significantly, BEIS has still not decided on a policy framework for smart meters after 2020. The future policy framework is a critical input into any assessment of future smart meters costs, and we do not see how Ofgem can form a reasonable view of smart costs without sight of the applicable policy framework driving the programme.
  - Ofgem's proposed rollout assumption is known to be unrealistic and unrepresentative of PPM smart rollout. It will overstate PPM smart rollout to date. PPM NPT SMNCC is likely to be particularly sensitive to the assumption made about the rollout profile. Assuming that more smart prepayment meters have already been installed than is really the case could generate an allowance that is materially too low.
12. Ofgem is right to be concerned about an adverse impact of downward adjustment to smart cost allowances for PPM customers. As Ofgem recognises in its consultation, if the smart allowance is too low it will constrain PPM smart roll out. Suppliers cannot sustainably spend more than the cap allows. Reduced smart rollout due to insufficient smart allowance would be counter to net-zero ambitions and, given the nature of the programme, difficult to reverse quickly.
13. In the current climate Ofgem and industry will need to prioritise work. Given the difficulties associated with getting this assessment correct, we suggest that Ofgem's proposed contingency allowance of £0 is appropriate.

## **Other matters**

14. We briefly summarise our views on some of the other matters that Ofgem raises in its consultation.
- We agree that Ofgem should use allowances from the DTC for most cost lines. Many costs do not vary by payment method and so it is reasonable to use the same allowances. However, we still have concerns that in aggregate the level of the DTC allowances remains too low.
  - We support Ofgem's proposal to set a single cap for all PPM customers irrespective of their meter type. The distinction made in the current PPM cap between SMETS2/fully interoperable and other meter types has no continuing relevance against a legislative background that requires all default tariffs to be capped. Any attempt to maintain the current distinction would be particularly problematic during the phased transition of SMETS1 meters to full interoperability through DCC

enrolment. It would only create additional complexity for suppliers and confusion for customers with no benefit.<sup>3</sup>

- We agree with Ofgem that continuing protection should be confined to PPM customers on default tariffs. The legislation only requires that default tariff customers be subject to a price cap. Active choice fixed tariff products are generally priced below the level of the price cap and should customers roll off onto default tariffs at the end of their fixed tariffs they will be protected by the price cap anyway. There is no case for subjecting PPM customers on non-default tariffs to a price cap given these are active choices representing engagement in the energy market.
- We agree with Ofgem that it should in general seek to avoid changes in the level of the cap in January. Without action, the PPM cap will lapse entirely from 31 December 2020 - in the middle of the winter cap period. An unnecessary change in the level of the cap at that time could drive significant costs for suppliers. Ofgem can apply to the CMA for the current PPM cap to lapse for default tariff customers from 1 October. Ofgem should apply for that direction and have a clean transfer to the new PPM cap for default tariff customers from October, improving the cost reflectivity of the cap at the earliest opportunity and avoiding the need for mid-winter changes in the level of the cap.<sup>4</sup>

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<sup>3</sup> In addition, we note that technical problems with SMETS2 prepayment continue to frustrate its rollout forcing some PPM customers to continue with traditional PPM meters out of necessity.

<sup>4</sup> Insofar as the existing PPM cap continues to apply to non-default customers beyond 1 October, it will fall away when the PPM cap expires at the end of December 2020.

## Appendix: detailed response

15. This Appendix contains Centrica's detailed response to Ofgem's consultation "Protecting energy consumers with prepayment meters", expanding on the headline points covered by the Executive Summary. It is structured in four sections addressing:
- Alignment with the DTC cap allowances and scope;
  - PPM uplift;
  - PPM NPT SMNCC; and
  - Timing of expiry for the current PPM cap.

### *Alignment with DTC cap allowances and scope*

16. We agree with Ofgem's proposal that the PPM cap needs to be replaced. By doing so, Ofgem would ensure both that PPM customers continue to be protected, and that suppliers can recover the efficient costs of serving those customers.
17. Ofgem has assessed what would happen if the PPM cap is not replaced. In such circumstances, the direct debit cap level for the DTC would apply to default tariff PPM customers at the expiry of the PPM cap. Both Ofgem and the CMA have recognised that the DTC cap level for direct debit customers is significantly below the efficient costs of serving PPM customers. Therefore, if it was set at that level, suppliers would not be able to recover the efficient costs of serving PPM customers. An artificially low cap would prevent suppliers from being able to finance their activities and ultimately be to the detriment of PPM customers.
18. The replacement PPM cap needs to be determined well in advance of the expiry date of the current cap at 31 December 2020. A thorough assessment of the level of the cap would likely require collecting additional data and undertaking an extensive consultation with relevant stakeholders. Such an exercise would require considerably more time than it is available to set the cap. Hence, to avoid the risk that the PPM cap defaults to a level well below efficient costs, we consider it prudent and reasonable to set the replacement cap for the next period using an interim approach. Such an approach should be pragmatic and based on existing evidence.
19. In setting the existing PPM cap, the CMA adopted the methodology used in the DTC and applied it to the PPM cap for most cost lines. As most costs do not vary by payment method, it is appropriate to use a common methodology to determine allowances for those costs. Given the limited time the CMA had to set the PPM cap, in our response to the CMA's provisional decision we supported this approach.<sup>5</sup> At that time we also recognised that Ofgem's DTC methodology is not perfect.
20. For the PPM cap replacement, Ofgem is proposing to adopt a similar approach and base the PPM cap on the allowances in the DTC, with an appropriate PPM payment method uplift. Given the current circumstances and the need once again to find a pragmatic solution within a short timeframe, we support Ofgem's proposal.

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<sup>5</sup> Centrica (8 July 2019), *Review of the Energy Market Investigation (Prepayment Charge Restriction) Order 2016 – Provisional Decision*.

21. However, we retain our concerns that the overall level of the DTC remains too low in aggregate. For example, the cap does not allow cost recovery for suppliers with higher efficient costs because they have a greater proportion of customers on the priority services register than Ofgem's benchmark supplier. We have explained our reasoning in our response to the Default Tariff Cap statutory consultation.<sup>6</sup> Those same concerns would apply to Ofgem's proposed PPM cap as they do to the credit DTC.
22. As Ofgem is proposing to base the PPM cap replacement on the DTC, it is appropriate to apply such cap only to those PPM customers on a default tariff, and not to customers who make an active choice to take a fixed tariff product. Confining price protection to customers on default tariffs is consistent with the DTC legislation, which is designed to protect customers who do not engage in the market rather than those who actively choose their tariffs. Restricting the cap scope for PPM customers to default tariff customers would be consistent with the approach to customers on credit payment types. For these reasons, we agree with Ofgem that the PPM cap replacement should only apply to those PPM customers on default tariffs.
23. Ofgem is also proposing to set a single cap for all PPM customers, irrespective of their pre-payment meter type. We agree with Ofgem's proposal. While it is true that in the current PPM cap there is a distinction between SMETS2/fully interoperable meters and other types of meters, such distinction loses relevance against the new legislative background which requires all default tariffs to be capped. Continuing technical problems with the SMETS2 prepayment solution currently deny some PPM customers the option of adopting a SMETS2 meter. Moreover, maintaining the current distinction would, in any event, be particularly problematic during the phased transition of SMETS1 meters through DCC enrolment causing additional complexity for suppliers and confusion for customers. Ofgem has previously recognised this issue and has allowed suppliers to align the treatment of SMETS2 PPM customers with those on the PPM cap to ensure a smooth transition during the smart meter rollout.<sup>7</sup> Ofgem has restated this approach in the current consultation and we are supportive of Ofgem's approach.

## **PPM Uplift**

24. Ofgem is proposing to adopt a "tariff differential approach" for the PPM price cap. It recognises that, by adopting this approach, some of the additional costs of serving PPM customers are socialised across customers with other payment methods because the current PPM uplift, which Ofgem proposes to maintain, is below the additional costs of serving PPM customers.
25. Whilst we understand the reasons that Ofgem prefers a tariff differential approach, its current proposal will not allow for the full recovery of the additional costs of serving PPM customers and therefore requires amendment.

## **Link between PPM uplift and DTC opex allowance**

26. As Ofgem notes, it used the CMA's estimated PPM uplift as part of its assessment to set the operating cost allowance in the DTC. The CMA's estimate of PPM costs was

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<sup>6</sup> Centrica, (October 2018), Response to statutory consultation on the Default Tariff cap.

<sup>7</sup> Ofgem (6 November 2018), *Default tariff cap – Decision – Overview document*, para 6.24.



stripped out of the total operating costs for all suppliers in Ofgem's sample to calculate a direct debit equivalent opex per customer.<sup>8</sup> This means that, to the extent that the benchmark supplier had greater additional PPM costs than the CMA's estimate, these are embedded in the DTC opex allowance.

27. It follows that if Ofgem increased its estimate of the appropriate PPM uplift this would strip more costs out of the DTC opex line and so any increase in the PPM uplift would be offset by a reduction in the DTC opex allowance.

### **Considering cost data**

28. Ofgem considers options for collecting updated cost data and concludes that, given it is adopting a tariff differential approach, it does not need to collect additional data. We agree with Ofgem that it doesn't need to collect additional data to implement its tariff differential approach, Ofgem already has the necessary information on 2017 costs.
29. If Ofgem were to seek to implement a fully cost reflective PPM price cap, then it would need to collect more data on PPM. However, if Ofgem collects updated data on PPM costs it must also collect updated data on general opex as well. Ofgem should not benchmark the efficiency of these cost lines separately.<sup>9</sup> If Ofgem assesses efficient PPM costs separately from general opex it risks cherry picking its benchmarks.
30. Depending on how different suppliers run their businesses they may make decisions that lower the incremental PPM cost but raise the base opex (or vice versa). Therefore, if Ofgem were to combine two separate benchmarks for these elements of opex it would be engaging in regulatory cherry picking and risk creating a benchmark that no real-world supplier could match. Ofgem should adopt a similar caution to any statements it makes about possible inefficiency of some PPM costs. Unless PPM costs are considered alongside base opex, any inference that Ofgem has drawn about possible inefficiency is at best unreliable.
31. Pragmatically we do not think Ofgem should undertake the significant exercise of reopening opex & PPM uplift benchmarking.
32. Ofgem has not programmed a review of DTC opex and it is highly doubtful that this could be accommodated in time for an October cap update. COVID19 prioritisation pressures on Ofgem and suppliers will further reduce the ability to commit to such a review at this time. In addition, as noted by Ofgem, the unexpected reopening the DTC opex benchmarking more generally could reduce the efficiency incentives for suppliers. An un-signalled change in the baseline level of efficiency inherent in the cap design would run counter to the requirement of the legislation that Ofgem "have regard to the need to create incentives for holders of supply licenses to improve their efficiency".<sup>10</sup>
33. However, these considerations do not mean that Ofgem should not correct the level of the payment method uplifts included in either the PPM cap or the wider DTC as explained below.

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<sup>8</sup> The additional costs of standard credit were also stripped out.

<sup>9</sup> Ofgem seems to agree with this position given the methodological weaknesses it mentions regarding misallocation of costs in para 4.55 of the consultation document but Ofgem is not explicit.

<sup>10</sup> Domestic Gas and Electricity (Tariff Cap) Act 2018, article 6a

### **Under recovery of PPM costs**

34. If calculated correctly, a tariff differential approach will mean that “for an efficient supplier with an average proportion of PPM customers [it] would have the same impact as a fully cost reflective PPM uplift”.<sup>11</sup> However, Ofgem’s proposal does not achieve full recovery of the additional PPM costs.
35. Ofgem’s statement that “the operating cost allowance ... which we estimate contains about £5 of PPM costs already”<sup>12</sup> implies that the additional PPM costs of the benchmark supplier that sets the DTC opex allowance exceeded the CMA’s estimated PPM uplift. Ofgem contends that this is not problematic for an average supplier because it will recover these extra costs from its Direct Debit (DD) and Standard Credit (SC) customers. However, this proposition would only hold if the proportion of PPM customers for an average company is equal to the PPM share of customers for the benchmark supplier, and the average supplier is able to recover additional PPM costs from all its credit customers, not just those subject to the DTC.
36. It is not, however, open to Ofgem to suggest that these socialised costs can be recovered from uncapped customers. Socialised PPM costs do not form part of the marginal cost of supplying uncapped DD and SC customers and therefore Ofgem cannot expect these costs to be reflected in competitive prices for supplying these customers.
37. Suggesting socialised PPM costs can be recovered from uncapped customers would also be inconsistent with Ofgem’s own approach to socialising the costs of SC customers in the DTC. When socialising some SC costs onto DD customers, Ofgem used “the average proportion of non-prepayment default tariff customers paying by standard credit”.<sup>13</sup>
38. To illustrate the materiality of this point, in 2017 PPM customers represented about 17% of all domestic customer accounts, However, in 2019, PPM customers represented a substantially higher proportion of customers subject to price caps. In fact, PPM customers accounted for about 30% of customers subject to caps, taking the PPM cap and DTC together.
39. The greater share of PPM customers amongst capped customers has a material impact on total PPM cost recovery if, consistent with Ofgem’s approach to socialising additional SC costs, additional PPM costs are recovered from only credit customers subject to the DTC. Our calculations, (see attached workbook for associated calculations and data sources) based on industry averages, show that Ofgem’s implicit use of the incorrect proportion of PPM customers leads to an under recovery of PPM costs by around £13 per PPM customer.
40. Based on our calculations Ofgem can either correct for this under recovery by increasing:

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<sup>11</sup> Ofgem (10 March 2020), “Protecting energy consumers with prepayment meters”, page 5

<sup>12</sup> Ibid, Para 4.2

<sup>13</sup> DTC Decision Appendix 8 para 2.41.



- The PPM cap by £13 if costs are recovered solely from PPM customers; or
  - Price caps for all payment methods by £4 under Ofgem's 'tariff differential' approach; or
  - Increase SC and DD price caps by £5.50 if – for policy reasons, to shield PPM customers from any increase – Ofgem wants to only increase credit payment uplifts.
41. This adjustment does not require Ofgem to reopen the opex benchmarking or the CMA's PPM uplift estimate. Ofgem already has the data to make this adjustment, just as it did to make the statement about £5 of PPM costs residing in the DTC opex line. Ofgem will also have more accurate data on the PPM percentage of the benchmark supplier in 2017 which it may have used to inform its £5 statement. Therefore, Ofgem's calculation of the adjustment may be slightly different from our estimates based on assuming the benchmark supplier had an industry average PPM percentage.

### ***PPM Uplift at nil consumption***

42. Ofgem should keep the PPM uplift on the standing charge as the costs that inform the PPM uplift do not generally scale with consumption.

### ***PPM NPT SMNCC***

43. Ofgem should apply its contingency allowance of a £0 PPM NPT SMNCC (as per the current PPM cap).

### ***Principle of PPM NPT SMNCC***

44. Ofgem proposes to introduce a NPT SMNCC opex allowance as part of the new PPM cap to account for the changes in supplier operating costs driven by the smart meter programme. Ofgem proposes to make this allowance PPM specific (different from the credit allowance) on the basis that the net costs of smart meters are different for PPM and credit customers.
45. We agree that in principle the NPT costs for smart PPM and smart credit will be different. Replacing traditional prepayment meters with smart meters entails significantly higher upfront costs, due to higher premature replacement charges, but also provides higher benefits to suppliers once the smart meters are in operation. Consequently, the impact of PPM smart installation on suppliers operating costs follows a very different profile to that for credit meters. Therefore, it makes sense for Ofgem to set separate NPT SMNCC allowances for PPM customers and for credit customers.

### ***Concerns with proposed approach***

46. We have a number of concerns about how Ofgem plans to calculate a PPM NPT SMNCC, which is one of the most resource intensive aspects of the price cap to engage on for industry due to its complexity. Ofgem and industry are resource constrained and their immediate priority is to maintain supply for customers and manage the wide-ranging business impacts resulting from COVID19. We therefore do not expect all of these issues to be able to be resolved satisfactorily in time to be implemented in the PPM cap.
47. Ofgem's calculations of NPT SMNCC (for credit and PPM) rely on a large and complex model that Ofgem has adapted from BEIS' smart meter CBA model. We have

longstanding concerns with the transparency and reliability of Ofgem's use of this model to calculate NPT SMNCC. We understand that Ofgem has been updating this model since that last version that we were able to see under restrictive conditions. However, the last version of the equivalent model that our advisors were able to review contained a number of material flaws. We therefore remain concerned given that we have yet to be provided with any access to this updated modelling that it will contain further flaws. The process required to assess the model, verify its findings and then for Ofgem to update it in recognition of any errors may take too long to be completed in time for the cap updated.

48. In addition to concerns about the modelling itself we also have a number of other concerns. Most significantly BEIS is yet to formally decide on the policy framework for smart meter installation after 2020. Ofgem will need to determine the allowance for the price cap ahead of the 7 August deadline for the announcement of the updated level of the cap. It is unclear if BEIS will issue its decision on the policy framework in time for Ofgem to use it to inform its decision. Ofgem cannot realistically hope to estimate the costs of the smart programme into 2021 (for credit or for PPM customers) until it knows what the policy framework will be.
49. We also have concerns about the assumptions that are used as inputs for the calculations, both in terms of unit cost and benefit assumptions and rollout profile. The unit cost and benefit assumptions have yet to be consulted on and it is not clear to us whether the costs and benefits associated with smart PPM have been properly identified and estimated. Ofgem's proposed roll out profile is also problematic.
50. The rollout profile assumed for smart meters within the modelling is a key element for the calculation of SMNCC for credit and PPM alike. However, PPM NPT SMNCC which will be more sensitive to assumed rollout because more of the costs are concentrated at the point of installation.
51. Ofgem is proposing to use the average rollout profile (across credit and PPM) from the BEIS CBA for the modelling of PPM NPT SMNCC. Such an approach is inappropriate for two reasons. Firstly, the rollout profile assumed in the BEIS CBA is unrealistic as a measure of likely future rollout. Secondly, the average rollout profile across credit and PPM is not representative of smart PPM roll out. To date PPM rollout has tended to lag credit roll out. Therefore, assuming PPM roll out is equal to an average across credit and PPM will over state PPM rollout to date.
52. Given Ofgem's unit cost assumptions, assuming more PPM smart meters have been installed than is actually the case will overstate benefits from the existing meter stock and understate the costs remaining to complete the PPM smart rollout.

### ***Impact of setting the allowance too low***

53. Suppliers cannot sustainably spend more on the smart programme than is allowed for in the cap. As Ofgem recognises in its consultation, if the allowance is set too low then it "risk[s] increasing the likelihood that installations are delayed"<sup>14</sup>. If Ofgem sets the PPM NPT SMNCC too low this will continue to underfund smart PPM and this will slow down the roll out of smart PPM. A lower spending envelope will slow down smart installs which

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<sup>14</sup> Ofgem (10 March 2020), "Protecting energy consumers with prepayment meters", Para 5.43

runs counter to the government's net-zero ambitions and the lead times in the programme mean that rollout slowdowns are difficult to reverse quickly.

## **Conclusion**

54. Given the difficulties associated with getting the assessment of PPM NPT SMNCC correct, and the detriment associated with setting it too low, we suggest that Ofgem's contingency allowance of £0 PPM NPT SMNCC (as per the current PPM cap).

## **Timing of expiry**

55. Ofgem sets out that that it could introduce the new level of the PPM cap on 1 October 2020 or 1 January 2021.
56. Ofgem should introduce the PPM cap replacement on 1 October 2020. If Ofgem corrects PPM cost under recovery through the PPM cap level this would make the PPM cap (and the system of price caps) more cost reflective at the first opportunity. A cost reflective tariff would benefit both suppliers and customers by allowing the recovery of efficient costs. It would also avoid potential negative consequences for customers and suppliers of a mid-winter price change.<sup>15</sup>
57. For the reasons stated above, we consider that Ofgem should take advantage of the CMA direction process in SLC 28A for the cap period beginning 1 October 2020 and have a clean transfer to the new PPM cap in line with the pattern of regular cap updates.

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<sup>15</sup> As Ofgem notes at paragraph 6.4 *"an extraordinary update in the middle of winter may not be preferable to either suppliers or consumers."*