



Making a positive difference  
for energy consumers

To: All holders of a gas and/or  
electricity supply licence

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Date: 05 August 2020

## **NOTICE OF BASELINE VALUES AND INITIAL VALUE OF THE CPI INDEX**

This notice constitutes the relevant notice for the purposes of the standard condition 28AD of each electricity supply licence granted or treated as granted under section 6(1)(d) of the Electricity Act 1989 and the standard condition (SLC) 28AD of each gas supply licence granted or treated as granted under section 7A(1) of the Gas Act 1986.

We have decided to extend the scope of the default tariff cap as contained in Standard Licence Condition (SLC) 28AD of the electricity and gas supply licences to also protect Prepayment (PPM) consumers following the expiry of the PPM Cap as contained in SLC 28A of the electricity and gas supply licences.<sup>1</sup>

As part of this decision we have decided to introduce Prepayment as a payment method in the default tariff cap. In practise, we have removed the "Fully-Interoperable smart prepayment" payment method and added a "Prepayment" payment method. This reflects that all default tariff PPM customers will be covered at the same level of protection.

For full details on our decision to protect energy consumers with prepayment meters following the expiry of the PPM cap, please see here:

<https://www.ofgem.gov.uk/publications-and-updates/decision-protecting-energy-consumers-prepayment-meters>

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<sup>1</sup> We are implementing the PPM level of the default tariff cap on 1 October 2020 but it will not apply to default tariff PPM customers until the PPM cap expires because customers who benefit from the PPM cap are exempt from the default tariff cap according to section (3) of the Tariff Cap Act.

In this notice, we set out the baseline values and initial value of the CPI index set out in Annex 1 to SLC 28AD that reflect our decision and modifications.

To note, only the Payment Method Adjustment Percentage and Payment Method Adjustment Additional Costs baseline values for Prepayment have changed since our 2018 default tariff cap decision. All other values are the same as the ones contained in our Notice published on 6 November 2018.

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**Anna Rossington**

**Duly authorised on behalf of the Gas and Electricity Markets Authority**

**05 August 2020**

## Electricity Baseline values

### Annex 1 – Format for publishing Baseline Values and Initial Value of the CPIH Index

#### Baseline Values

##### *Operating Cost Allowance*

	<b>Single-Rate Metering Arrangement (benchmark consumption per annum, <i>k</i>)</b>		<b>Multi-Register Metering Arrangement (benchmark consumption per annum, <i>k</i>)</b>	
	<b>Nil kWh</b>	<b><i>m</i> (3,100 kWh)</b>	<b>Nil kWh</b>	<b><i>m</i> (4,200kWh)</b>
$OC_{0,k,l}$	39.6648	78.2640	39.9332	78.2640

##### *Headroom Allowance Percentage*

HAP	1.4641%
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##### *Earnings Before Interest and Tax Margin Percentage*

EBIT	1.9368%
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***Payment Method Adjustment Percentage (PAP)***

<b>Payment Method <math>p</math></b>	<b>Single-Rate Metering Arrangement</b>	<b>Multi-Register Metering Arrangement</b>
Standard Credit	5.8318%	5.7904%
Prepayment	0%	0%
Other Payment Method	0.4854%	0.4786%

***Payment Method Adjustment Additional Cost***

<b>Payment Method <math>p</math></b>	<b>PAAC<sub>0,p</sub></b>
Standard Credit	13.7458
Prepayment	24.4072
Other Payment Method	3.4231

**Initial Value of the CPIH Index**

CPIH <sub>0</sub>	102.2
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## Gas Baseline values

### Annex 1 – Format for publishing Baseline Values and Initial Value of the CPIH Index

#### Baseline Values

##### *Operating Cost Allowance*

	Nil kWh	<i>m (12,000 kWh)</i>
<i>OC<sub>0,k</sub></i>	64.9445	89.2021

##### *Headroom Allowance Percentage*

HAP	1.4641%
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##### *Earnings Before Interest and Tax Margin Percentage*

EBIT	1.9368%
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##### *Payment Method Adjustment Percentage & Payment Method Adjustment Additional Cost*

Payment Method <i>p</i>	<i>PAP<sub>p</sub></i>	<i>PAAC<sub>0,p</sub></i>
Standard Credit	5.7526%	13.4403
Prepayment	0%	39.6617
Other Payment Method	0.4135%	3.1859

##### Initial Value of the CPIH Index

<i>CPIH<sub>0</sub></i>	102.2
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