



## **Feed-in Tariffs (FIT) allowance in the default tariff cap**

Thank you for the opportunity to comment on Ofgem's proposed options for how to determine the Feed in Tariff ("FIT") scheme allowance methodology within the default tariff cap ("cap") from cap period six (April 2021 - September 2021) onward. This response reflects the views of both E.ON and npower

We broadly welcome Ofgem's recommended approach, to pass through costs and demand on an 18-month lagged basis, to determine the FIT allowance (option A). Nevertheless, we believe that suppliers will experience detriment in terms of not being able to recover the total costs incurred, should only quarterly FIT invoices be used, therefore we believe that considerations should be given into this part of the proposal. Instead, some adjustments could be made to the existing proposal. Instead of using quarterly FIT invoices, the use of the annual levelisation invoice, would be more accurate and would also account for variation in demand (e.g. Covid-19) and cost.

E.ON is also concerned with the CPIH adjustment and the lag associated in being able to recover this. With the way the methodology is structured, it does not enable suppliers to recover these costs that they have incurred until after 18 months have passed. By leaving the methodology in place as it is, and on the assumption that the price cap is not extended, suppliers will not be in a position to fully recover the costs incurred post April 2022.

Therefore, for the reasons outlined above, we urge Ofgem to reconsider its proposals for the changes to the FiT methodology.

Kind regards

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