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Reviewing the potential impact of COVID-19 on the default tariff cap: cap period seven working paper

EDF is the UK's largest producer of low carbon electricity. We operate low carbon nuclear power stations and are building the first of a new generation of nuclear plants. We also have a large and growing portfolio of renewable generation, including onshore and offshore wind and solar generation, as well as coal and gas stations and energy storage. We have around five million electricity and gas customer accounts, including residential and business users.

EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

EDF welcomes the opportunity to provide comments on the working paper that forms part of Ofgem's review of the potential impact of COVID-19 on the default tariff cap for cap period seven. EDF continues to support Ofgem's review of the costs suppliers are experiencing as a result of the economic impacts driven by the COVID-19 crisis and which are likely to extend further in to 2021.

Additional Adjustment for Cap Period Seven

It is right that Ofgem continues to apply an adjustment for debt related costs, more specifically, the incremental write-offs due to COVID-19. EDF agrees with Ofgem's view that there is significant uncertainty over how long the economic disruption of the COVID-19 crisis will last and whether any disruption will create material additional debt related costs for suppliers in cap period seven.

Given this uncertainty we recommend Ofgem continues to use the float and true-up approach used for cap periods four, five and six. For cap period seven we propose that the float is set to £0 per customer and Ofgem adjusts the float (after cap period seven) using the true-up mechanism to analyse any additional debt related costs (and any other materially impacted costs). This approach would protect customers from bearing the risk of cost uncertainty whilst allowing suppliers to subsequently recover efficient final costs once they are fully known.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Steven Eyre or myself. I can confirm that this letter may be published on Ofgem's website.

Yours sincerely

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