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Submitted via email to: retailpriceprotection@ofgem.gov.uk

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Dear Anna

RE: Default Tariff Cap: Approach to the Third Cap Period

Thank you for the opportunity to comment on Ofgem's proposed approach to the allowances for the Smart Metering Net Cost Change (SMNCC) and the Capacity Market (CM) in the third cap period.

Energy UK supports and agrees with Ofgem's proposed approach for both allowances under the Default Tariff Cap (DTC) for the third cap period. While we recognise that this consultation is specific to the approach to the third cap period, we again urge Ofgem to commit to the SMNCC allowance for the third cap period to be unqualified and remove the suggestion of a potential claw-back for periods one to three.

As outlined in response to Ofgem's initial SMNCC review consultation, Energy UK believes that any claw-back in future cap periods would be detrimental upon the success of the continuing smart meter rollout and cannot be justified on costs grounds. Having explicitly set SMNCC for the first and second periods to ensure no reduction in the pace of planned rollouts, Ofgem risks undermining the effectiveness of any obligation and inhibiting the ability of suppliers to invest by introducing unforecastable regulatory risk and setting future allowances below efficiently incurred cost levels.¹

Fourth Cap Period and Beyond

Looking forward to the review of the SMNCC allowance for the fourth cap period and beyond, we welcome Ofgem's consideration of the additional data it should collect as part of the process. We have previously shared our views on the essential information that is currently uncollected and we believe that it is vital that this is collected in a timely manner to ensure Ofgem has a complete and robust evidence base for its work. We would welcome a commitment at the earliest opportunity from Ofgem on their intention to seek this data, and confirmation of when it intends to begin the necessary exercises. Ofgem should not risk solely

¹ <https://www.energy-uk.org.uk/publication.html?task=file.download&id=7143>

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relying upon BEIS to collect the necessary information as part of its CBA update process. Ofgem should also commit to communicate its contingency plans for the SMNCC review in the event that there are delays to the BEIS CBA update process, which would inevitably have implications for Ofgem's work to update its model.

While we welcome Ofgem's commitment to provide access to the non-pass-through SMNCC model for stakeholders to review the modelling approach, we believe that Ofgem needs to provide this access in time for the first substantive consultation, rather than waiting until the final consultation. Ofgem's approach through this process should have transparency as a guiding principle and only seek to include genuinely confidential individual supplier data within the confidentiality ring and otherwise be open with its modelling approach. To the extent that Ofgem needs any restrictions as part of the disclosure process, it should consult on them in time for access to be provided with the first substantive consultation on the updated model, due to take place in August or September.

We hope that our comments are useful, and we look forward to continuing to engage with Ofgem in this process. We would be happy to discuss any of the points above in further detail with Ofgem or any other interested party if this is considered to be beneficial.

Yours sincerely,

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