

## Disclosure Arrangements for Spring 2022 consultations on the default tariff cap

1. In early-May 2022, we intend to publish two consultations, setting out our proposals to adjust how we calculate the default tariff cap ("the cap"). We propose to:
  - update the non-pass through Smart Meter Net Cost Change ("SMNCC") allowance for credit and PPM customers, which accounts for the net impact of the smart meter rollout on the operating costs of a supplier operating efficiently (the "SMNCC & PPM Consultation"); and
  - seek stakeholder views before confirming decisions on the true-up process for COVID-19 costs for cap period nine (1 October 2022 to 31 March 2023) onwards (the "COVID-19 True-up Consultation").
2. This letter sets out the disclosure arrangements for these consultations. **For the avoidance of doubt, we will be running separate disclosure exercises for each of the SMNCC & PPM and COVID-19 True-up consultations.** If you wish to participate in the disclosure process for either of these consultations, you will need to submit separate compliance documents and undertakings. Please see the below sections relating to each of the SMNCC & PPM and COVID-19 True-up for further information.

### Context

3. We previously published the following:
  - Working paper on 2022 annual review of SMNCC allowances on 13 October 2021.<sup>1</sup>

---

<sup>1</sup> Ofgem (2021), Working paper on 2022 annual review of SMNCC allowances.  
<https://www.ofgem.gov.uk/publications/price-cap-working-paper-2022-annual-review-smncc-allowances>

- Consultation on the True-up process for COVID-19 costs on 19 November 2021.<sup>2</sup>
4. We will consult on our proposals to both Spring 2022 SMNCC & PPM and COVID-19 True-up consultations and intend to publish our decisions in early August 2022. This will allow us to take those changes into account when we set the level for the next cap period (cap period nine, which runs from 1 October 2022 to 31 March 2023).
  5. Our proposals for both consultations rely on detailed modelling and analysis. In order for stakeholders to understand our proposals, we consider it necessary to disclose the key models and data that underpin our proposals.
  6. We intend for these disclosure arrangements to follow a similar process to our disclosure arrangements for the late-Spring 2021 consultations.<sup>3</sup>

## **SMNCC & PPM: Participating in the Spring 2022 disclosure arrangements**

7. During the consultation period, we will disclose, through two confidentiality rings (the “SMNCC & PPM Model Confidentiality Ring” and the “SMNCC & PPM Data Confidentiality Ring” together the “SMNCC & PPM Confidentiality Rings”):
  - our modelling (“Disclosed SMNCC & PPM Model”) to suppliers and their attendees. This includes the full and revised SMNCC model, in the form which underpins our proposals.
  - underlying data (“Disclosed SMNCC & PPM Data”) to the advisers representing suppliers. This includes underlying data that we have used to calculate inputs in the SMNCC model. This is principally data about individual suppliers and is commercially sensitive, so we cannot provide it directly or indirectly to suppliers.
8. If we consider it helpful to provide additional data during the consultation process, we will add it to either the Disclosed SMNCC & PPM Model or Disclosed SMNCC & PPM Data schedules as appropriate.
9. Access to the SMNCC & PPM Confidentiality Rings is provided for the “Permitted Purpose” that is the sole purpose of allowing stakeholders, and/or those on behalf of stakeholders, to review and understand the information underpinning our proposals, in order to:

---

<sup>2</sup> Ofgem (2021), Consultation on the true-up process for COVID-19 costs.

<https://www.ofgem.gov.uk/publications/price-cap-consultation-true-process-covid-19-costs>

<sup>3</sup> Ofgem (2021), Price Cap - Disclosure arrangements for the late-Spring 2021 consultations.

<https://www.ofgem.gov.uk/publications/price-cap-disclosure-arrangements-late-spring-2021-consultations>

- prepare submissions and representations to the consultation; and
- to enable the stakeholder (if relevant) to prepare and conduct an appeal against any decision we take in connection with the consultations, including an appeal in which the stakeholder is, or is intending to apply to be, an intervener.

## **COVID-19 True-up: Participating in the Spring 2022 disclosure arrangements**

10. During the consultation period, we will disclose, through one confidentiality ring (the “COVID-19 True-up Confidentiality Ring”):

- our modelling and underlying data (“Disclosed COVID-19 True-up Model & Data”) to the advisers representing suppliers. This includes full COVID-19 True-up model, in the form which underpins our proposals and the underlying data. This is principally data about individual suppliers and is commercially sensitive, so we cannot provide it directly or indirectly to suppliers.

11. If we consider it helpful to provide additional data during the consultation process, we will add it to the Disclosed COVID-19 True-up Model and Data schedules as appropriate.

12. Access to the COVID-19 True-up Confidentiality Ring is provided for the “Permitted Purpose” that is the sole purpose of allowing stakeholders, and/or those on behalf of stakeholders, to review and understand the information underpinning our proposals, in order to:

- prepare submissions and representations to the consultation; and
- to enable the stakeholder (if relevant) to prepare and conduct an appeal against any decision we take in connection with the consultations, including an appeal in which the stakeholder is, or is intending to apply to be, an intervener.

## **Compliance Documents**

13. We require stakeholders and each of their advisers to set out in separate “Compliance Documents” how they will comply with the terms of each of the SMNCC & PPM and COVID-19 True-up Confidentiality Rings. That Compliance Document should describe the arrangements each party has in place to keep the disclosed material secure. At a minimum, the Compliance Document should explain, briefly:

- Security Arrangements: Processes to store electronic and physical copies of the disclosed material, and in doing so maintain their confidentiality in accordance with the Undertakings.

- Working Environment Arrangements: Processes to ensure that Authorised Attendees and Advisers can work on the disclosed material and discuss their contents, and in doing so maintain their confidentiality in accordance with the Undertakings.
- Support Arrangements: Processes to ensure that Authorised Attendees are aware of their responsibilities and the arrangements the Relevant Party has in place, that sufficient monitoring and governance is in place to maintain confidentiality, and that support and guidance is available to authorised Attendees.

14. In assessing these arrangements, we will take into account the current circumstances relating to the coronavirus pandemic and the impact it has had on stakeholders. We are aware stakeholders (and their advisers) have instituted arrangements for working from home or may institute a partial return to the office, including where their staff or advisers have confidential data. We expect that information protection measures put in place to take into account working from home arrangements may be suitable for our purposes. Stakeholders need only describe how they would apply those protections in the context of the confidentiality rings.

## **Undertakings**

15. Alongside this note we have published the undertakings for those who wish to participate in the confidentiality rings for each of the Spring 2022 SMNCC & PPM and COVID-19 True-up consultations. Stakeholders should review those documents to consider the detailed arrangements.

- The Relevant Party Undertakings and Authorised Attendee Undertakings relate to the Disclosed SMNCC & PPM Model.
- The Firm Undertakings and Adviser Undertakings relate to the Disclosed SMNCC & PPM Data.
- The Firm Undertakings and Adviser Undertakings relate to the COVID-19 True-up Model and Data.

## **Process for disclosure**

16. Stakeholders wishing to participate in each of the SMNCC & PPM and COVID-19 True-up Confidentiality Rings should:

Deadline	Activity
As soon as possible	Register interest by emailing <a href="mailto:retailpriceregulation@ofgem.gov.uk">retailpriceregulation@ofgem.gov.uk</a> , specifying whether they seek access to the Disclosed SMNCC & PPM Model, Disclosed SMNCC & PPM Data, Disclosed COVID-19 True-up Model and Data, or all.
By Monday 4 <sup>th</sup> April 2022	Provide a draft Compliance Document for review by Ofgem.  Provide names, roles, and contact details (email addresses) for proposed Attendees and proposed Advisers.
By Monday 11 <sup>th</sup> April 2022	Provide signed undertakings.

## Contact

17. All correspondence and expressions of interest should be sent to [retailpriceregulation@ofgem.gov.uk](mailto:retailpriceregulation@ofgem.gov.uk)

Kind regards,

**Leonardo Costa**

Head of Price Cap Policy