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Dan Norton, Deputy Director
Retail Price Regulation, Ofgem
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By email only

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Dear Dan,

OVO response to Consultation on technical changes to the price cap methodology

Thank you for the opportunity to respond to this consultation.

We agree with the proposal and accompanying rationale to apply the GDP deflator on a calendar year basis to account for inflation in the GBIS policy cost allowance.

While we welcome the clarification that in-period adjustments will not be included in the calculation of the CfD allowance, the proposal "to account for any before-period adjustment" leaves ambiguity in the inputs to the allowance calculation. For example, it is not clear if the allowance for price cap period 11a would use a determination run date of 12th June for the Q4 value, or a before-period adjustment made on 24th August.

In order to enable suppliers to operate prudent and effective risk management strategies, it is essential that LCCC commit to always making and publishing a before-period adjustment and to do so on a scheduled date, e.g. five working days before each price cap publication. We see no reason for LCCC not to make this commitment, and them doing so would materially improve Suppliers ability to risk manage the level of the CfD allowance in the price cap, and hence we would be very disappointed if this commitment was not made.

We would be happy to discuss our response further, and should you have any questions please contact policy@OVOenergy.com.

Kind regards,

Nicola Roberts
Senior Regulation Manager, OVO