Decision

Introduction of a Network Charging Compensation (NCC) Scheme allowance in the energy price cap decision

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In December 2024 we published a consultation on proposals to include a new allowance for the Network Charging Compensation (NCC) Scheme in the default tariff cap ('the cap') to reflect the government's introduction of British Industry Supercharger (BIS) measures. The intention of this allowance is to cover the costs to suppliers resulting from this scheme, which was introduced by the Department of Business and Trade (DBT) to fund the Energy Intensive Industry (EII) Support levy. This is a new government scheme, administered by Elexon, into which licensed electricity suppliers are expected to pay from April 2025.

We have carefully considered all the responses we received to our consultation and have considered the available evidence. This document sets out our decision and associated considerations to introduce a NCC scheme allowance from April 2025 as part of the policy cost allowance methodology (known as 'Annex 4').

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Executive Summary

On 19 July 2018, the Domestic Gas and Electricity (Tariff Cap) Act 2018 (the 'Act') came into force. This legislation required the Gas and Electricity Markets Authority (GEMA) to design and implement the default tariff cap. We introduced the default tariff cap ('the cap') on 1 January 2019, which protects households on standard variable and default tariffs (which we refer to collectively as 'default tariffs'). The cap ensures that default tariff customers pay a fair price for their energy that reflects the efficient underlying cost to supply that energy.

In October 2023 the Department for Business and Trade (DBT) set out the policy design and implementation timings of a Network Charging Compensation (NCC) Scheme. This scheme provides 60% compensation on eligible network charging costs for Energy Intensive Industries (EIIs). The NCC Scheme is funded through a levy on electricity suppliers known as the EII Supplier Levy. Given this is a new scheme, there is currently no allowance within the cap for the costs associated with the NCC scheme. However, the price cap does include a policy cost allowance to ensure that suppliers are able to recover the costs related to their obligations under different government and social programmes, such as the NCC scheme. The policy cost allowance is set out in 'Annex 4 – Policy Cost Allowance Methodology' of Standard Licence Condition (SLC) 28AD of the electricity supply standard licence conditions.

We seek to set the level of the price cap to ensure default customers pay a fair price for their energy that reflects the efficient underlying cost to supply that energy. In line with the DBT policy design, the costs of the NCC Scheme are expected to be recovered by all non-eligible customers, including domestic customers. We, therefore, consider the introduction of an NCC Scheme allowance in the price cap to be appropriate, to enact the government's policy objective and to ensure the price cap continues to reflect the efficient costs of supplying energy to default customers.

We received 1,029 responses to our consultation of which 5 were from suppliers, 1 was from a consumer advocate and 1,023 were from consumers. We have carefully considered all the representations and evidence provided as part of this consultation and have decided to introduce a NCC Scheme allowance as part of the policy cost allowance from April 2025 onwards, including:

- To introduce the allowance in Annex 4 to be updated six-monthly, volumetric recovery (i.e. recovered via the unit rate).
- To use the Estimated Levy Fund over a 6-month period to set each allowance, using LCCC eligible demand data for supply volume data. Where only five months of data are available, we will roll over the most recent month’s data.
- To account for administration and reserve fund costs where there is publicly available information to have regard to.

The NCC Scheme allowance for the period April – September 2025 will be £2.78 per customer at typical consumption.

Introduction

Section summary

This chapter provides the context surrounding our decision to introduce a cap allowance to cover the costs to which suppliers are exposed as a result of the introduction of the NCC scheme. It highlights our main decisions with respect to both the introduction of the allowance and the methodology by which it will be calculated, as well as outlining our decision-making process.

Background

1.1. In October 2023 the Department for Business and Trade (DBT) published the government's response to its British Industry Supercharger (BIS) Network Charging Compensation Scheme and with it the commencement of the scheme from April 2024[1]. The BIS is a set of three measures implemented by the government to make Energy Intensive Industries (EIIs) more competitive across Europe and tackle the challenge of indirect carbon leakage.

1.2. The first two measures were an increase in the existing EII Renewable levy scheme from 85% to 100% and a new full exemption from the costs associated with the GB capacity market, both of which also came into effect from April 2024. The introduction of these two measures resulted in changes to existing inputs and allowances already included in the cap methodology and consequently were accounted for in the price cap calculation automatically, without any need for Ofgem to make technical changes to the cap methodology.

1.3. The third BIS measure is the NCC scheme, which offers EIIs 60% compensation on eligible electricity network charges for using the GB electricity grid. As set out in DBT's response, licensed energy suppliers, are obligated to fund this levy through an 'EII Supplier Levy' by paying into the NCC scheme from April 2025, based on their share of Non-EII eligible demand.

1.4. Given there is no existing methodology in the cap for this NCC Scheme to account for the costs imposed on suppliers as part of the EII Supplier Levy, we consulted in December 2024 on proposals to introduce a new NCC allowance in the price cap.

[1] Whilst the scheme has been open to applications from eligible EII's since April 2024, the levy itself does not become payable by suppliers until April 2025.

The default tariff cap

1.5. We set the cap with reference to the Domestic Gas and Electricity (Tariff Cap) Act 2018 ('the Act'). The Act requires us to put in place and maintain the licence conditions which give effect to the cap. The objective of the Act is to protect existing and future default tariff customers. We consider protecting customers to mean that prices reflect underlying efficient costs of a notional supplier.

1.6. Under the Act, we must have regard to five matters when setting the cap:

- the need to create incentives for holders of supply licences to improve their efficiency;
- the need to set the cap at a level that enables holders of supply licences to compete effectively for domestic supply contracts;
- the need to maintain incentives for domestic customers to switch to different domestic supply contracts;
- the need to ensure that holders of supply licences who operate efficiently are able to finance activities authorised by the licence;
- the need to set the cap at a level that takes account of the impact of the cap on public spending.

1.7. The requirement to have regard to the five matters identified in section 1(6) of the Act does not mean that we must achieve all of these. In setting the cap, our primary consideration is the protection of existing and future customers who pay standard variable and default rates. In reaching decisions on particular aspects of the cap, the weight to be given to each of these considerations is a matter of judgment. Often, a balance must be struck between competing considerations.

1.8. In setting the cap, we may not make different provisions for different holders of supply licences. This means that we must set one cap level for all suppliers.

Our Decisions

1.9. We have decided to introduce an allowance in the cap methodology for the NCC scheme from cap period 14a, commencing April 2025, included within the policy cost allowance (Annex 4) which is currently updated on a six-monthly basis. This will allow suppliers to recover the efficient costs of the scheme through a cap allowance and the frequency is consistent with our treatment of other policy costs in the cap.

1.10. With respect to the NCC Scheme allowance methodology, we have decided to:

- **Recover the allowance on a volumetric basis across electricity customers**, as this reflects the way in which costs of the scheme will be passed on to suppliers,
- **Total the Estimated Levy Fund for the latest available 6-month period**, which is published on a monthly basis by Elexon,
- **Have regard to administrative and reserve fund costs** where robust and publicly available data from the scheme administrator (Elexon) is available because these are legitimate and quantifiable costs of the scheme which suppliers will incur,
- **Use supplier metered volume data for the relevant 6-month period sourced from LCCC and account for electricity network losses**, as this is consistent with other price cap allowances, and
- To roll over the most recent publicly available months' data to populate the sixth-month levy figure where only 5 months of EII levy data is available. We expect this to be the case for the first allowance (so would roll over the August 2024 month's levy figure to populate the September 2024 figure as this will not be available when the April- September 2025 allowance is calculated).

Decision-making stages

Date	Stage description
12/12/2024	Stage 1: Consultation open
09/01/2025	Stage 2: Consultation closes (awaiting decision), Deadline for responses
25/02/2025	Stage 3: Consultation decision and responses published

Related publications

Consultation on the introduction of a Network Charging Compensation allowance in the energy price cap: Introducing a Network Charging Compensation allowance in the energy price cap

Consultation outcome on the British Industry Supercharger Network Charging Compensation Scheme: British Industry Supercharger: Network Charging Compensation Scheme

General feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this decision. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall quality of this document?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Are its conclusions balanced?
5. Did it make reasoned recommendations?
6. Any further comments

Please send any general feedback comments to stakeholders@ofgem.gov.uk.

Stakeholder feedback and considerations

Section summary

This chapter sets out the decisions we have arrived at following our consultation on the introduction of an allowance for NCC scheme costs into the cap, a summary of stakeholders' responses, and our considerations on those comments. We received feedback on both the proposal to introduce an NCC scheme allowance as a matter of principle, as well as the proposed methodology by which the allowance would be determined.

Decision

1.11. We have carefully considered the feedback provided and have decided to proceed with the implementation of the proposal to introduce an allowance for costs associated with the NCC scheme from charge restriction period 14a, commencing April 2025, to align with the commencement date from which licensed electricity suppliers will incur costs for this scheme.

1.12. Specifically, we have decided to:

- proceed with the proposal to introduce an allowance in the cap methodology for the costs incurred by suppliers for funding the NCC scheme
- include the allowance in Annex 4 and update the allowance on a six-monthly basis.

1.13. We have also considered methodological responses and have decided to:

- recover the allowance on a volumetric basis (the unit rate) in line with the BIS policy position
- total the Estimated Levy Fund for the latest six months available, which is published on a monthly basis by Elexon
- have regard to the most up to date administrative and reserve fund costs where robust and publicly available data from the scheme administrator (Elexon) is available
- use supplier metered volume data for the relevant six-month period sourced from LCCC, and account for electricity network losses, consistent with other price cap allowances

- Where only five months of Estimated Levy Fund data is available across the six-month allowance period we propose to use the most recent month's data to populate the sixth month. We expect this to be the case for the first NCC allowance, so we intend to use the August 2024 levy figure to populate a sixth-month figure (as September 2024 data will not be published by the price cap publication date).

1.14. We set out the stakeholder feedback to our proposals in the section below. We have included the various methodological considerations that some stakeholders raised which subsequently shaped our final decision.

Summary of responses and considerations

1.15. We received 1,029 responses to our consultation; 1,023 responses were from consumers, 1 from a consumer advocate and 5 from suppliers. The consumers who responded and the consumer advocate were unanimous in their opposition to our proposals to introduce an allowance in the cap for the costs of the NCC scheme. They cited numerous reasons, predominantly objecting to domestic customers contributing to support aimed at EIIs, and some offered alternative suggestions. The suppliers who responded were supportive of the introduction of an NCC allowance, however, several raised feedback on the proposed methodology and also provided alternative suggestions. We present our consideration of these representations below.

Introduction of an NCC allowance

1.16. We received over 1,000 responses from consumers who agreed with a consumer advocate who stated that we should not include an NCC Scheme allowance under the price cap, largely raising equitable arguments about domestic customers contributing to cost exemptions for large businesses. We have considered these responses carefully and have set out our response to the views and arguments provided by consumers and the consumer advocate below. The suppliers who responded agreed in principle to the introduction of an allowance, albeit with some differing views on the details of the methodology.

Cost of living pressures

1.17. A significant number of consumer responses cited already high energy bills, and cost of living pressures as reasons not to introduce an allowance in the cap which would further increase bills further.

1.18. We recognise that energy bills remain high and that many consumers are currently struggling to pay their bills, as well as the ongoing energy affordability challenges facing many households. We will continue to support consumers including those in vulnerable situations.

1.19. We are currently working with the government, industry, and charities, to work out the steps that need to be taken to safeguard against the harmful impacts of future price shocks. This forms part of a wider package of work we are undertaking on affordability, price protection, and debt, to create a fairer and more affordable energy system for households.

1.20. Our duties under the Domestic Gas and Electricity (Tariff Cap) Act 2018, amongst other things, require us to have regard to ensuring suppliers who operate efficiently are able to finance their licensed activities. We consider that the enduring costs imposed on suppliers as part of the NCC scheme are both material and systematic and are quantifiable pass-through costs which suppliers have no control over.

1.21. We consider the costs of the scheme, which are expected to be around £3 to £5 per year per household on an enduring basis, to constitute a material cost. We consider the funding mechanism through the EII Supplier Levy, which applies to all electricity suppliers, results in a systematic cost affecting the entire industry, rather than just a small number of suppliers. We also consider that suppliers' ability to recover legitimate and efficient costs is in consumers' overall interests and note the allowance will be set at a level that ensures suppliers can recover only the efficient costs associated with the scheme.

Domestic customers supporting business network costs

1.22. The vast majority of responses disagreed with the premise that domestic customers should be contributing towards network charging compensation for EIIs.

1.23. We understand the concerns raised by domestic consumers in this regard, however, we consider the scope of the British Industry Supercharger (BIS)[2] to be firmly a matter for the government and outside the scope of this consultation. The BIS policy has set a clear policy position that non-eligible customers (including domestic customers) should contribute to the costs of the NCC scheme via the supplier levy. It would not be appropriate for Ofgem to exclude cost recovery for any particular consumer group in a way which contradicts the DBT policy intent, and which may fundamentally change the merits of the scheme itself (for example, placing a disproportionate cost recovery burden on other groups of customers in a manner not intended by the policy design).

Consideration of headroom allowance

1.24. The vast majority of responses, including from the consumer advocate, proposed that the NCC scheme should be captured in the Headroom Allowance within the cap, as the current headroom allowance is higher than the expected NCC allowance.

1.25. We set the cap by considering the different costs notional suppliers face. The cap is made up of a number of allowances which reflect these different costs. One of these allowances is the headroom allowance. As set out in Appendix 2 of the Default Tariff Cap: Decision, the headroom allowance is the component that covers the cost of residual risk and uncertainty that is not already captured by our efficient cost estimates.

1.26. The NCC scheme is a pass-through levy placed on suppliers on an enduring pass-through basis and the DBT policy intent makes clear an expectation that these costs will be passed onto non-eligible consumers. Existing policy costs with comparable materiality to the NCC scheme continue to be accounted for explicitly in the price cap on the basis that robust inputs can be used to set an explicit allowance, such as the Assistance for Areas with High Electricity Distribution Costs

[2] Department for Business and Trade (2023), Government response: British Industry Supercharger Network Charging Compensation Scheme. Government response: British Industry Supercharger Network Charging Compensation Scheme - GOV.UK

(AAHEDC) and the Green Gas levy (GGL). Since the NCC scheme is a material and quantifiable pass-through rather than a residual risk or uncertainty, and since robust inputs can be used to set an explicit allowance, we believe that using headroom is not appropriate.

1.27. Instead, we consider a bespoke NCC scheme allowance appropriate in this scenario, which is to be reflected in the policy cost allowance (set out in 'Annex 4'). This covers policy costs relating to obligations on suppliers to deliver government schemes or initiatives, to ensure that suppliers can recover the costs related to their obligations under these schemes. This treatment of NCC scheme costs in this way is consistent with how other government initiatives have been dealt with.

Consideration of volumetric versus standing charge

1.28. The consumer advocate and other consumers considered that, if we were to include an allowance for the NCC, we should add it to the standing charge rather than the unit rate. They argued that allocating the NCC allowance to the unit rate would negatively impact high-usage vulnerable consumers.

1.29. We understand the concerns raised by consumers in this regard, however, the BIS policy has set a clear policy position that the EII levy will be calculated on a volumetric basis, therefore suppliers will incur a cost for every unit of electricity they provide. In addition, if the cost was allocated to the standing charge, then it is more likely that it would disproportionately impact customers with lower consumption.

1.30. DBT also considered the merits of calculating the EII levy on a volumetric (unit rate) or on a per meter (fixed–standing charge) basis. In response to its consultation, DBT decided upon a volumetric approach, as it reduced the cost burden to domestic consumers, as a fixed, per meter, approach would have likely minimised the costs for non-EII non-domestic consumers.

1.31. Our proposed methodology to calculate an allowance on a volumetric basis ensures that the cap remains as cost reflective as possible. As such, we deem it appropriate to maintain our consultation position of putting the NCC allowance onto the unit rate.

NCC allowance methodology

1.32. We received five supplier responses, who generally supported our proposed approach to incorporate NCC costs into the price cap. All suppliers agreed that the allowance should be recovered on a volumetric basis and placed in the policy cost model (Annex 4). Additionally, two suppliers proposed that we account for the administrative costs and reserve fund costs that they are exposed to. Two suppliers also suggested alternative solutions to address the absence of estimated levy fund payment data for September 2024 when we publish price cap (period 14a).

1.33. All supplier responses agreed with our approach that allocating NCC costs to the unit rate would be the most appropriate option. In DBT's initial consultation, it was specified that a volumetric approach is closer aligned to existing technical parameters in billing systems, taking into account that most costs are calculated on a volumetric basis.

Eligible Demand and accounting for network transmission and distribution losses

1.34. One supplier sought clarification on our proposed source of chargeable demand, to ensure that it exempted the relevant Energy Intensive Industry (EII) demand.

1.35. We confirm that the chargeable demand provided by Elexon accounts for the relevant EII exemptible demand, however, chargeable demand including EII exemption is not routinely published by Elexon.

1.36. As we aim to use publicly available sources where possible in the price cap, in the interests of transparency, we have decided to amend our proposed input source for EII-exempt eligible demand data.

1.37. We have decided to use eligible demand using data published by the Low Carbon Contracts Company (LCCC) (CfD Daily Levy Rates - Low Carbon Contracts), as used in our CfD calculations. This is published and refreshed frequently, ensuring that the most accurate relevant demand can be utilised to calculate the NCC allowance. The figures obtained this way is equivalent to that sourced directly from Elexon but in using this data source it allows us to achieve greater transparency in the data inputs used in setting the allowance. In our view, it is appropriate therefore to change our proposed approach from that upon which we consulted.

1.38. Additionally, one of the suppliers who responded also highlighted that the EII-exempted eligible demand should account for electricity network transmission and distribution losses because the data is at transmission level rather than the final energy supplied to the meter.

1.39. We accept that the LCCC EII exempted eligible demand (and the equivalent Elexon data) is at transmission level and that it is, therefore, appropriate to account for electricity network transmission and distribution losses in calculating the final NCC allowance, consistent with other allowances in the cap (such as CfD and BSUoS). We have therefore decided to include a loss adjustment in the methodology and have included this in Annex 4 which is published alongside this decision document.

1.40. Two suppliers also raised concerns about demand weighting the eligible demand data as suggested by the version of Annex 4- Policy cost allowance published alongside the consultation. They raised concerns that this would lead to suppliers under-recovering their costs throughout the year, as they would not recover fully in either summer or winter. We have decided not to use demand weightings in our final calculation as we have decided to update the allowance on a sixth monthly basis. In each cap update there will be one winter period and one summer period, negating the need to demand weight for the different use of energy in different seasons.

Reserve fund and administrative costs

1.41. The suppliers who suggested accounting for administrative costs and reserve fund payments in the final allowance outlined their view that these costs are material and quantifiable, and a failure to account for these costs in the price cap would risk suppliers not being able to recover all the efficient costs they will incur.

1.42. We agree that administrative and reserve fund costs are quantifiable pass-through costs imposed on suppliers as part of the EII supplier levy and that inclusion in the allowance is consistent with how similar administration and reserve fund costs are accounted for in other areas of the price cap such as the Capacity Markets and CfD allowances. This was not included in our December 2024 consultation proposals as (at that time) there were no robust and publicly available inputs to include.

1.43. On 17 February 2025, Elexon published information on the administrative costs levied under the EII levy and separate information on reserve fund estimates. We have used these inputs in calculating the NCC scheme allowance for April –

September 2025. We will have regard to the most up-to-date version of these inputs in setting administrative costs and reserve fund estimates for future allowances. As the values published are annual costs we will calculate a six monthly allowance by dividing annual costs by two.

1.44. We have engaged with Elexon to ensure that the administrative costs levied are excluded from any inputs used to set the Industry Charges allowance which forms part of the proposed operating cost allowance (this proposal is subject to the final operating cost review decision, which is due to be published later this year) to ensure these costs will not be accounted for elsewhere in the price cap methodology.

Calculating a six-month allowance for price cap period 14a

1.45. Elexon have confirmed that we will not have the September 2024 estimated levy fund payments by the publication date of price cap period 14a due to their agreed timelines for publishing monthly estimated levy fund payments. As a result, we have five months' worth of estimated levy fund payments for the first calculation of the NCC allowance in the cap.

1.46. To address this issue, one supplier suggested that we should update the allowance quarterly using the latest three months of EII levy fund data. Another supplier suggested that we extrapolate the first five months out to twelve months to get an estimate of the first year's allowance.

1.47. We agree that by using only five months of levy payments, suppliers will not be able to recover their efficient costs for the first six months of the NCC allowance.

1.48. While we agree that suppliers cannot recover their efficient costs using only five months of payment data, we disagree with updating the allowance quarterly or extrapolating data. As outlined in our consultation, we do not find quarterly updates appropriate due to minimal expected fluctuations in the allowance. Additionally, we do not consider extrapolating data as accurate, as it does not consider available published data or any expected monthly increases in EII levy payments.

1.49. We have decided to account for a sixth month in the first cap period by including the estimated levy fund payments for August 2024 twice, as this provides the best estimate for the levy fund.

1.50. As we do not expect any significant difference between the value we use for the sixth month and the value which will be published in March 2025, we do not propose to include any reconciliation or subsequent approach to adjust for the sixth month deviating from the value we have decided to use.

Reconciliation Process

1.51. Two suppliers suggested that we should consider a true up or reconciliation process as part of our methodology. They argued that there are uncertainties due to the scheme being new and to account for any volatility in the estimated levy fund data. They also suggested that suppliers may incur mutualisation charges where at least one supplier fails to pay some or all of the EII levy amount due.

1.52. Having reviewed supplier concerns, we do not consider the issues raised will have a material and systematic impact on suppliers' costs and do not consider a reconciliation mechanism appropriate. We expect most EII levy amounts which are not paid to be covered by the reserve fund. However, we will keep under review whether further changes to the NCC Scheme allowance methodology may be appropriate, as informed by the relevant evidence.

Implementation in the price cap

1.53. We have considered all feedback received. We will implement the methodological decisions set out in this document from charge restriction period 14a, commencing 1 April 2025. The allowance will be included in 'Annex 4 – Policy Cost Allowance' which we have published along with this decision.

Appendices

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Detailed model modifications: Annex 4 – Policy Cost Allowance

Summary of Changes

1.1 We summarise in this appendix the modifications to 'Annex 4 – Policy Cost Allowance' of SLC 28AD of the electricity standard supply licence conditions.

1.2 We have published an updated version of Annex 4 – Policy Cost Allowance model, reflecting the proposed changes set out in "Network Charging Compensation (NCC) consultation".

1.3 All changes are shown in the Annex 4 – Policy Cost Allowance from cap period 14a (April 2025 – June 2025) and will be published in the February cap update.

1.4 Table 1 below sets out a summary of the proposed changes to Annex 4 – Policy Cost Allowance.

Table 1: Summary of changes to Annex 4 – Policy Cost Allowance.

Worksheet	Change	Description
3k NCC	Updated new worksheet for the Network Charging Compensation (NCC) Inputs.	This tab will now set out the calculation to £/MWh at Transmission Level.
3k NCC	New input added to worksheet for 'Estimated Levy Fund (£)'	Cells AJ14:BF14 added to input the Estimated Levy Fund which will be published by Elexon in £.
3k NCC	New input added to worksheet for 'Administrative and Reserve Fund costs'	In the Input tab, the following updates have been made: - Cells AJ15:BF15 added to input the Administrative cost component, provided by Elexon in £.

Worksheet	Change	Description
		Cells AJ16:BF16 added to input the Reserve Fund cost component, provided by Elexon in £.
3k NCC	New input added to the worksheet for 'Eligible Demand' and two rows have been removed for Demand Weightings.	In the Input tab, the following updates have been made: - Cells AJ17:BF17 added to input the eligible demand. This information will be gathered from the LCCC webpage using the demand for relevant six-month period and will be published in MWH at Transmission level. - Cells AK15:BG15 and AK16:BG16 demand weightings for both single-rate and multi-rate metering arrangements have been removed.
3k NCC	New calculations added to worksheet for 'NCC Cost Estimate'.	In the Input tab, the following updates have been made: - Cells AJ19:BF19 calculation formula has been changed to now calculate the NCC Cost Estimate in £/MWh at Transmission level. - AK20:BG20 calculation formula removed for calculating single rate for NCC in £/MWh. - AK21:BG21 calculation formula removed for calculating multi-rate for NCC in £/MWh.
3h Losses	New table to show Loss Multipliers	In the Input tab, the following changes have been made:

Worksheet	Change	Description
	have been added to this tab	- Heading added for Loss Multipliers for Transmission and Distribution in relation to the NCC. - Cells AI46:BE64 have been added to input the Loss Multipliers for single rate across all 14 regions. This will be input as a percentage. - Cells AI65:BE78 have been added to the input for Loss Multipliers for multi-rate across all 14 regions. This will be input as a percentage.
2a Aggregate Costs	Updates made for 'NCC' across single-rate and multi-rate. New table has also been added for applying the loss multipliers into the NCC Calculation.	In the calculation tab following changes are made: - Cells H20:BF20: calculation formula added in Table 1 to reference NCC for single-rate metering arrangement in '3k NCC'. This table summarises our estimates for individual schemes. For NCC, we input the NCC cost estimate before applying Loss Multipliers. This is now shown as £/MWh at Transmission level. - Cells H26:BF26: calculation formula added in Table 1 to reference NCC for multi-rate metering arrangement in '3k NCC'. This table summarises our estimates for individual schemes. For NCC, we input the NCC cost estimate before applying Loss Multipliers. This is now shown as £/MWh at Transmission level.

Worksheet	Change	Description
		- Table 3 has now been added from Row 70, which shows the regional breakdown for NCC across both single-rate and multi-rate metering arrangements after applying the Loss Multipliers to the NCC Cost estimate. - Cells H78:BF91 have been added to the model to calculate the NCC Cost Estimate multiplied by the relevant Loss Multipliers in £/MWh supplied for single-rate metering arrangement. - Cells H92:BF105 have been added to the model to calculate the NCC Cost Estimate multiplied by the relevant Loss Multipliers in £/MWh supplied for multi-rate metering arrangement.
1a Policy Cost Allowance	Updates made for 'NCC' across single-rate and multi-rate	In the output tab following changes are made: - Cells G15:BE28 formulas have been updated in Table 1 Policy Cost Allowance to account for the inclusion of NCC (with applied losses) for single rate. - Cells G29:BE42 formulas have been updated in Table 1 Policy Cost Allowance to account for the inclusion of NCC (with losses applied) for multi-rate. - Cells G58:BE58 calculation formula updated in Table 2 to include the NCC allowance for single-rate metering arrangement in '2a Aggregate costs'. This

Worksheet	Change	Description
		table estimates the scheme-by-scheme policy cost allowance (Great Britain average). - Cells G64:BE64 calculation formula updated in Table 2 to include the NCC allowance for multi-rate metering arrangement in '2a Aggregate costs'. This table estimates the scheme-by-scheme policy cost allowance (Great Britain average).

Detailed model modifications: Default tariff cap model

Summary of changes

1.5 We summarise in this appendix the modifications to the 'Default tariff cap level model' used to calculate the level of the default tariff cap pre-levelisation in each 28AD Charge Restriction Period based on our proposals in Chapters 3 and 4.

1.6 We have published an updated version of the Default tariff cap model, reflecting the changes set out in "Network Charging Compensation (NCC) decision".

1.7 All changes are shown in the Annex 4 – Policy Cost Allowance from cap period 14a (April 2025 – June 2025) and have been published in the February cap update.

1.8 Table 2 below sets out a summary of the proposed changes to Default tariff cap model.

Table 2: Summary of changes to Default tariff cap model

Worksheet	Change	Description
3d PC	New rows added for 'NCC' across single-rate and multi-rate	The following changes have been made to the input tab: - Cells G58:BE58 added in table 2 to include the Network Charging Compensation. Values will be input here from Table 2 in tab '1a Policy Cost Allowance' of Annex 4. - Cells G64:BE64 added in table 2 to include the Network Charging Compensation. Values will be inputted here from Table 2 in tab '1a Policy Cost Allowance' of Annex 4.