

**Anna Rossington**

Deputy Director, Price Protections  
Ofgem  
South Colonnade  
London E14 4PU

Sent via email: [retailpriceregulation@ofgem.gov.uk](mailto:retailpriceregulation@ofgem.gov.uk)

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Dear Anna,

**Reviewing the potential impact of COVID-19 on the default tariff cap**

I am writing in response to Ofgem's November consultation as part of its review of COVID-19 on the default tariff cap. This is a high-level industry view; Energy UK's members may hold different views on particular aspects of the consultation. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

Energy UK welcomes Ofgem's review into the potential COVID-19 impacts on the default tariff cap. Energy UK and suppliers have worked throughout the pandemic to ensure that customers remain on supply and receive the best service possible in difficult times, particularly those customers in the most vulnerable circumstances.

Energy UK agrees that if Ofgem is to introduce a COVID-19 adjustment into the cap, then setting an initial conservative float and trueing-up at a later date would be a sensible approach. It is essential that suppliers are able to recover efficiently-incurred costs, and that any significant economic impact upon suppliers of COVID-19 caused debt is appropriately accounted for in the default tariff cap. In line with Ofgem's reasoning in the consultation, we agree that where possible the delay in efficient cost recovery should be minimised.

We also recognise that during the wider economic impact of the pandemic Ofgem will look to ensure that customers are protected from paying unnecessarily higher energy prices, and as such set the float conservatively. It will be important for Ofgem to closely monitor the level of the allowance for each cap period to ensure that it is not set materially too high (or too low) based upon updated data as the true economic impact of COVID-19 on customers and suppliers continues to materialise.

Yours sincerely,

**Daniel Alchin**

Deputy Director, Retail  
Energy UK

[Daniel.Alchin@Energy-uk.org.uk](mailto:Daniel.Alchin@Energy-uk.org.uk)