

## **TYPICAL DOMESTIC CONSUMPTION VALUES (TDCVS): CALL FOR INPUT ON PROPOSED UPDATES TO TDCVS AS PART OF OFGEM'S ROUTINE CONSUMPTION REVIEW PROCESS**

### **SUBMISSION FROM THE SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS (SFHA)**

**MARCH 2023**

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#### **Introduction**

SFHA is the membership body for, and collective voice of, housing associations and co-operatives in Scotland.

We exist to represent, support and connect our members. Our purpose has never been as important as it will be over the next three years, as we work together following the coronavirus pandemic.

In these unprecedented times, our vision is that our members are central to Scotland's social and economic recovery and renewal. It is everyone's right to live in a safe, warm and affordable home, in a thriving community. Our members are uniquely positioned as community anchors across Scotland, supporting people and their communities.

Our mission is to sustain and strengthen the impact our members have on people and communities across Scotland.

#### **Response**

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SFHA welcomes the opportunity to comment on Ofgem's proposals for revising the Typical Domestic Consumption Values (TDCV). We are aware that the assumptions made as part of these values are particularly concerning for our members who own and manage properties with electric heating systems. Over 87,000 social sector homes in Scotland currently rely on electric forms of heat while a further 10,600 rely on other unregulated fuels. The consultation document also confirms that over 370,000 of the Profile Class 2 meters in the UK are present in Scotland (approx. 10% of the UK total).

This highlights the scale of the issue for our members in Scotland and there are particular concerns amongst our members who operate in remote and rural areas

which are detailed further in the submission by the Highlands and Islands Housing Association Affordable Warmth Group.

## **Methodology**

The consultation itself highlights flaws in the data and assumptions used to calculate the TDCVs. This includes:

- the lack of understanding of property attributes and household characteristics
- the electricity data has not been weather corrected (despite the importance of this in analysing the use of electricity for heating purposes)
- consumption values based on meter points rather than number of households (skews the figures given the total consumption for some properties will involve more than one electricity meter)
- lack of data on the heating component of DTS meters
- lack of detailed consumption data for specific types of Profile Class 2 meters

We therefore strongly challenge the methodology used for the assumptions and provide some further information below of the particular discrepancies.

## **Distinction in different types of meters**

The consultation acknowledges the variety of different meter types within the Profile Class 2 group and even in calculating the differences in the mean annual consumption the Economy 7 and Economy 10 subsets, still groups these together as part of the TDCVs. Furthermore, the table on page 13 highlights the significant number of teleswitched meters present in Scotland (59% of the GB total). Simplifying all of these 'non-typical' meter types into one category, and to one TDCV, masks the considerable variations within these groups and disadvantages the 'non-typical' customer.

The assumptions also fail to account for households with a Profile Class 2 electricity meter who make use of gas or other fuel types (e.g. oil, LPG, solid fuel) for heating purposes. The consumption profile of these cases will be more in line with the Profile Class 1/standard domestic figures where the electricity use will be limited to appliances, lighting etc. This artificially deflates the average figures for Profile Class 2. All electric heat households therefore need to be identified and analysed separately to allow a more accurate 'typical' consumption figures for this group to be identified.

There also remain challenges where households with electric heating make use of a single rate meter (Profile Class 1). In these cases, the TDCV assumptions suggest consumption figures in line with standard domestic electricity usage (non-heat). We are aware of reports where these consumers end up with direct debit payments which are lower than required, resulting in the accumulation of debt, as the supplier has estimated their consumption based on the 'typical' Profile Class 1 consumption.

**In order to resolve these discrepancies, we support the proposal by the Highlands and Islands Housing Association Affordable Warmth Group that a**

**further breakdown of the TDCVs should be provided with a separate category for off-gas households which rely on electricity for heat.**

### **Expected consumption for households with electric forms of heat**

As acknowledged in the consultation, households with Profile Class 2 meters are more likely to use electricity to heat their homes and therefore have a higher electricity consumption when compared to dual fuel customers with a Profile Class 1 meter. According to the current TDCV assumptions, this additional heating load requires only a 1,300 kWh annual uplift (based on the current medium TDCV figure) or 1,200 kWh under the proposed revisions.

This is partly due to the issues noted above. However, evidence from our members highlights the scale of the discrepancy. For example, Lochalsh and Skye Housing Association have demonstrated average electricity consumption figures across their tenants with electric storage heating of around 7,495 kWh per year or 6,376 kWh per year for those with more efficient heat pumps. These figures are based on actual consumption but are also coupled with evidence of considerable energy rationing with only two thirds of those with storage heating able to keep warm on a cold winter's day.

The postcode level data for remote and rural Scotland also indicates that for Economy 7 tariffs, average electricity consumption in 2020 was around 7,555 kWh per year. This is 25% greater than the figures for the rest of Scotland (6,069 kWh per year) and still exceeds even the 'high' figures noted for the current Profile Class 2 assumption of 7,100 kWh per year. Again, given the use of actual data, we expect the postcode figures to be an underestimate of the electricity required to heat homes to a sufficient standard (particularly during a year where households were likely spending more time at home) and linked more to the amount which households are able to afford. It is also possible that their heating regimes are being supplemented with other unregulated fuels and this element of their consumption is not being picked up in the data.

It should also be noted that the time periods used in the postcode analysis are also likely to cloud the true picture. For example, the 2020 figures cover the period when consumption figures were expected to be above average due to the lockdown period where households were typically spending more time at home. More recent consumption figures are also likely skewed by the impacts of the energy crisis. A recent study demonstrated that even gas households were rationing their use by up to 40% (comparing the September/October of 2022 with the previously year<sup>1</sup>). This is reflected in the experiences of our members who report that an increasing number of tenants have been struggling to afford to heat their home to a sufficient standard – both during the COVID pandemic and in light of the energy/cost of living crisis.

By way of comparison, SSE OVO use a benchmark consumption figure of 10,000 kWh per year for all electric households with Profile Class 2 meters. Energy Performance

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<sup>1</sup> <https://es.catapult.org.uk/report/measuring-the-consumer-response-to-the-energy-crisis-in-the-living-lab/>

Certificates, which are based on assumptions of a 'standard heating regime', also suggest much higher figures with estimated space heating and hot water demand (based on social sector properties in Scotland) of 10,000 kWh per year for properties with electric storage heaters and Air Source Heat Pumps and around 9,000 kWh per year for properties with electric boilers and electric room heaters<sup>2</sup>. We would expect this to be higher for households who require an enhanced heating regime due to their age or long-term health condition. These figures are also based on social sector properties which generally have better energy efficiency ratings when compared to those in the private sector meaning the average figures across all tenure types would likely be even higher.

Furthermore, with the expected move away from fossil fuel heating systems to decarbonised forms of heat, we expect more and more households to be switching to electric heating systems including heat pumps and high heat retention storage heaters. The TDCVs must also evolve in line with these changes to allow a more accurate representation of different meter types and heating systems rather than simple generalisations.

**We therefore propose that Ofgem uses alternative data sources to improve the accuracy of the 'typical' consumption figures going forward, supplementing with the National Energy Efficiency Data-Framework (NEED) and other information on the property characteristics to give a more accurate reflection of the 'typical' values.**

### **Implications for the price cap and Energy Price Guarantee**

In relation to the Energy Price Guarantee, it is understood that the TDCV assumptions will not change the level of EPG discount given the cap will apply to unit rate of electricity (now set to 30-34 p/kWh for Scotland for a single metering arrangement depending on the payment method). However, we agree that the communications around the EPG, and indeed the price cap, need to be improved so that the reports on a 'typical household' or 'typical bill' make a clearer distinction on expected costs for off-gas homes. There also needs to be greater transparency around the assumed splits for dual rate metering so customers can understand their charges in comparison to the EPG/price cap.

However even improved communication will not change the fact that off-gas households will still be facing much higher costs than a typical dual fuel customer. Using the 10,000 kWh per year benchmark as a more realistic assessment of the electricity demand of those with a Profile Class 2 meter, under the EPG households with electric forms of heat would be paying £3,100 to £3,600 per year. This well exceeds the current £2,500 figure for those with gas heating systems, highlighting the additional disadvantage facing this group of consumers.

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<sup>2</sup> <https://statistics.gov.scot/data/domestic-energy-performance-certificates> (snapshot of data based on around 1,800 properties with lodged EPCs)

**We proposed that the disadvantage facing off-gas consumers is better recognised in policy interventions with appropriate uplifts applied to financial support mechanism to ensure parity with dual fuel households.**

## **Conclusion**

Overall Ofgem must ensure that the energy consumption profiles of households who are not connected to the gas network are adequately understood or represented in a more accurate way in the existing assumptions. Improving the methodology will then mitigate the risk of policy decisions being made on inaccurate data and protect consumers from being disadvantaged by a flawed system.

## **Contact**

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