

Typical Domestic Consumption Values (TDCVs) – HIHAAW’s* response to Ofgem’s Call for Input on their proposed TDCV updates (March 2023)

Introduction

Please read this response from HIHAAW* in conjunction with and in support of the one submitted by the Scottish Federation of Housing Associations (SFHA).

The Highlands & Islands Housing Associations Affordable Warmth* group (HIHAAW) welcomes Ofgem’s invitation to comment on their proposals – because, in respect of off-gas consumers who therefore have to rely much more heavily - often totally – on using electricity for heating, they are based on large evidential gaps and misunderstandings. As a direct but flawed consequence, therefore, they continue to be used by Ofgem to underpin and perpetuate the deeply discriminatory and very unfair assumptions they have been making about the energy costs of the 15% of UK households (but 19% in Scotland and 66% in the Highlands & Islands) who, through no fault of their own are simply unable to access mains gas – an unsustainably destructive fossil fuel which, counter-intuitively, continues to cost between three to four times per unit *less* than electricity of the clean green variety and which – it should surely now be recognised but sadly isn’t - off-gas areas like the Highlands islands in particular- now produce in such abundance that more than two-thirds of the area’s output is exported to the primary benefit of so-called “average” (ie dual-fuel) consumers in the rest of the UK but without any commensurate energy price saving/discount being returned to compensate their much more heavily charged off-gas counterparts.

If Ofgem are serious, therefore, about “*ensuring fair treatment for all consumers, especially the vulnerable ...*” ... then they should, in all conscience, revisit and amend these assumptions to ensure that, henceforth, they are based on all the best available evidence and applied, fairly and transparently, and to the *equally inclusive* benefit of all UK households and not just the 85% who are in the privileged position of being connected to the gas grid.

Moreover, the public policy imperative of moving consumers from gas use to much reliance on greater electricity means that Ofgem must make sure that its TDCV assumptions are based on detailed and accurate information and

analysis – and, at the moment, it is clear that the varying electricity consumption types, patterns and usages are not well enough understood or represented accurately by Ofgem. If assumptions and data collection are flawed then understanding will be poor and policy misdirected.

Why the TDCV methodology and calculations need overhauling

To its credit, the Annex to Ofgem's Call for Input paper acknowledges the weakness in its assumptions. It states that *"Profile 1 is standard domestic. Profile 2 is mainly derived from domestic consumers with Economy 7 metering. However, it is applied to any domestic consumers with switched storage heating and immersion loads. So, as well as customers with Economy 7, domestic customers on other switched load tariffs, such as Economy 10 etc., are also assigned to Profile Class 2"*. The paper elaborates on the resulting database problems : *"Because we use aggregated data, we are unable to derive the median consumption level or understand the distribution of consumption among customers with different class 2 meter types"* and, in its final paragraph, states its intention to provide *"additional information about the consumption of those with restricted meters"* in order to generate *"greater granularity and better insight into the data underlying our consumption statistics."*

In welcoming both these frank admissions of the current data inadequacy and their stated commitment to do something about it, HIHAAW asks Ofgem to consider the evidence laid out in the latest edition (attached) of the Electricity Price Update which Lochalsh & Skye Housing Association produces for the HIHAAW membership and other interested parties. Page 3 presents two tables: the first showing the current Energy Price Guarantee bills of around £2,500 per annum based on Ofgem's TDCV assumptions that the "average" UK domestic energy consumer uses 12,000 hours of mains gas and 2,900 hours of electricity.

The immediate question arising – one which HIHAAW has more than once asked Ofgem without ever obtaining an adequate response – is where does the off-gas customer then turn to fill the 12,000 unit heating gap (for what else is gas used for except cooking and space and hot water heating?) and how much does it then cost to fill that gap if you can't get mains gas? If to domestic oil

then HIHAAW's assumption – based on its extensive frontline experience – is that the average H&I household would require at least 2,500 litres a year at an average, albeit fluctuating, cost of about £1 a litre ie add £2,500 to the TDCV assumption figure of £1,136.48 for 2,900 units in the North of Scotland). In other words, the energy bill assumption for the average North of Scotland off-gas but using domestic oil for heating customer should be £3,636.48 per annum (45% more than Ofgem's current TDCV-based modelling assumption for the notional "average" UK consumer).

If however, the household is off-gas and all-electric ie wholly reliant, therefore, on electricity for heating – as are the great majority of social housing (ie Council and Housing Association) tenants, in the Highlands & Islands at least – then a TDCV assumption surely needs to be made about the amount of extra energy (ie units of additional electricity for heating) these in all other respects equally "average" UK households would require to meet and then pay for their equally reasonable annual domestic energy usage requirements. As will be seen in the second table on page 3 of the Electricity Price Update, Ovo/SSE – still far and away the pre-dominant electricity supplier in the North of Scotland as a whole but even more so in its off-gas areas like the Highlands & Islands – suggest a rule of thumb "average" electricity consumption of 10,000 units per annum which is vastly (250%) more than Ofgem's proposed Option 2 consumption average of 4,000 units a year.

It should further be noted that Energy Performance Certificates use this same 10,000 unit a year figure basis and that this equates to an annual energy bill for the off-gas household of £3,569 (10k x 34p/unit = £3,400 + £169 daily standing charges) ie a £1,000 + more than the currently assumed UK "average" consumers energy bill of £2,500 per annum which is very much in line with the similar uplift (see bottom of page 2) for the off-gas + domestic oil consumer.

Where then is Ofgem's evidence-based and real world rationale for proposing that, though the current average TDCV for electricity usage by a Profile Class 1 household (presumably Ofgem's notional "average" but, critically, *dual-fuel* consumer) should be deemed to consume 2,800 units of electricity a year (on top of their unchanged, 12,000 unit gas allowance), the Profile Class 2 household only merits a mere 1200 unit uplift (to 4,000 units of electricity a

year) when it is clear that most of the households concerned are having to use much more electricity than that, even though they are only categorised as Profile Class 2 precisely because they have been identified as being more heavily reliant on electricity for their various heating requirements, including the sizeable proportion in the Profile Class 2 category who rely *wholly* on electricity for their heating and non-heating domestic energy requirements ?

So the question arising, surely, is what then should Ofgem do differently to produce a much more accurate, and of necessity more granular, information base upon which then to make much more reliable TDCV assumptions – and, it is to be hoped, ensure much greater energy pricing fairness going forward for those households who are off-gas and as a consequence, rely more heavily or wholly on using electricity for heating purposes (and who are, most probably, using one or other of the so-called cheap rate, time-of-use electricity tariffs for heating purposes) ? HIHAAW offers the following suggestions.

HIHAAW's suggestions for improving the TDCV's granularity

In broad terms, HIHAAW asks Ofgem to thoroughly disentangle, disaggregate improve and publish their TDCV methodological matrix in respect of each and all of the different types of Option 2 consumers but, crucially, to **ensure that a separate and specifically coded category is created to identify, analyse and protect the legitimate interests of all off-gas households**. More specifically, we propose the following 'granularity' improvements.

1. Use the MPAN and MPRN meter type data to identify and enumerate precisely how many UK consumers are connected to the gas grid, how many are only connected to the electricity grid (ie all houses without a gas MPRN number) and in which part of the UK they live ...
2. ... by breaking down the on-gas and off-gas figures on, at the very least, a "regional" basis (eg North of Scotland, South of Scotland etc) and, more usefully, by Local Authority area (eg Highland, Argyll & Bute etc)
3. Ensure that all domestic properties with *two* MPAN meters are separately identified and, where possible, on both a "regional" and a Local Authority basis (because two meters clearly identifies consumers with restricted multi rate meter use)

4. Require all electricity suppliers to accurately identify and tell Ofgem how many of their domestic consumers have electric heating as their primary source of heating.
5. Require all electricity suppliers to identify and correlate whether a single rate meter is located in a domestic property, whether the property concerned is with or without mains gas - and therefore whether it is one which is partially or wholly reliant on electricity for heating.
6. Require all electricity suppliers to describe and enumerate precisely which electricity tariffs their domestic customers are on: for the purpose of better understanding the type and comparative cost-effectiveness of the electric heating options and tariffs being used in the real world by consumers, not least those who are or should be designated as 'vulnerable' households – so that Ofgem can then design and provide better informed and targeted regulatory protection policies
7. Please also refer to the detailed SFHA response recommendations.

In the light of the much improved and more granular information-gathering as per the above, Ofgem are asked to redesign and/or expand on their Electricity Profile Options Class1 and 2 and, in the process, make sure that whatever TDCV unit per annum consumption values they settle on going forward are based on *real-world* energy consumption levels with particular care being taken to ensure that those arrived at for off-gas households are re-evaluated and revised upwards.

In conclusion, HIHAAW would welcome the opportunity to discuss the case that it is making in this paper with Ofgem and, particularly importantly, to share the hard (house by house and household by household) evidence some of its members have painstakingly gathered on the real life electricity usage by the tenants of its off-gas and all-electric properties who are self-evidently using far less energy for heating than they should be to keep their homes and households warm. There is no fairness in such energy pricing discrimination towards off-gas electricity consumers and Ofgem's starting point for creating a more level pricing playing field should be a thorough overhaul and disaggregation of the bases for much more analytical TDCV assumptions.

DA/HIHA AW/27March23(final)

