

Daniel Newport  
Deputy Director, Price Cap  
Ofgem  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

25 September 2025

Sent by email to: [RetailPriceRegulation@ofgem.gov.uk](mailto:RetailPriceRegulation@ofgem.gov.uk)

## **Energy Price Cap Benchmark Review**

We welcome the opportunity to submit our response to Ofgem's consultation on the Energy Price Cap: Benchmark Consumption Review.

This is an important and much-needed review, and we're pleased that the need for a more accurate and cost-reflective cap methodology is now being recognised, something we have long advocated for. Ensuring the price cap reflects current consumption patterns, including differences by payment method, is essential to maintaining a fair and sustainable retail energy market.

The continued use of outdated benchmark consumption values has contributed to significant and persistent cost under-recovery for suppliers over an extended period, undermining the financial viability of the sector. This practice has also distorted the competitive landscape, entrenching advantages based on supplier business models.

This disconnect is particularly disappointing, given that Ofgem has consistently used the more recent and lower TDCV consumption values rather than the higher benchmarks when communicating the cap to consumers, creating a misleading impression.

Both the TDCVs and benchmark values need to be regularly updated using the latest available data from 2023. This is especially important as our preliminary assessment of 2024 figures suggests that consumption continues to decline. It is also essential that the benchmarks are representative of consumers covered by the price cap, whose energy usage is likely lower than the aggregate mean across all households.

Our responses to the consultation questions are set out below.

## **Part A**

### **1. Do you agree that benchmark consumption in the price cap should be updated?**

Centrica strongly supports an update to the benchmark consumption values used in the price cap. Given that the current benchmark is based on the 2017 Typical Domestic Consumption Values (TDCVs), which reflects data from as far back as 2015, this review is long overdue.

The continued use of an outdated benchmark, which overstates average consumption, has already led to a systematic underestimation of the costs that suppliers incur to serve customers and will continue to do so unless urgently addressed. This has resulted in persistent and significant cost under-recovery across multiple cap periods, contributing to the sustained financial pressure on the sector. These distortions also weaken the effectiveness of the price cap as a fair and transparent regulatory tool. Revising benchmark consumption is therefore essential to restoring cost reflectivity and ensuring the cap remains fit for purpose in today's market.

In line with industry trends, British Gas has observed a persistent decline in electricity and gas consumption among domestic customers. This downward trend in household energy use is consistent with broader market data and reflects ongoing cost-of-living pressures, improvements in energy efficiency, and evolving customer behaviours. Updating the benchmark consumption will improve the accuracy and fairness of the price cap, ensuring it better reflects current market conditions and supports a more sustainable retail energy market.

It is important to note that customers whose electricity consumption is increasing due to the adoption of low-carbon technologies, such as electric vehicles, would typically opt for tariffs outside the scope of the price cap. As such, their consumption data should not be considered representative of typical household energy use.

Therefore, while updating the benchmark is a necessary step, it is equally important to review how a "typical domestic consumer" is defined within the context of the price cap. The use of TDCVs predates the introduction of the cap and it was originally designed to reflect average consumption across all tariff types, not just standard variable tariffs. As household electricity consumption increasingly diverges between those with low-carbon technologies and those without, it is critical that the benchmarks used for the cap accurately reflect the consumption patterns of households actually subject to it. This may require a broader review of the separate methodologies used to define TDCVs and the price cap benchmark values to ensure they remain fit for purpose.

### **2. Do you agree with our minded-to proposal to update the benchmark consumption level using the latest TDCV?**

While we support the principle of updating benchmark consumption, we have concerns about using the last assessed, and now out-dated, TDCV values (which are based on 2019 and 2021 data). These figures do not fully capture the sustained decline in domestic energy consumption observed in recent years. By 2026, this data will still be 5 to 7 years out of date, so merely adopting the last assessed TDCV doesn't, on its own, go far enough to address the challenges outlined in the review document.

Recent evidence from the Digest of UK Energy Statistics (DUKES)<sup>1</sup> report confirms the persistence of the decline in household energy consumption. While this data is useful in reinforcing patterns observed across the industry, it likely understates the true magnitude of the decline. This is because DUKES data is aggregated, meaning that year-on-year differences also capture the annual increase in meter points from new properties and rising electricity consumption from electric vehicle charging which, as discussed above, is unlikely to be from consumers covered by the price cap.

DUKES data:

- Gas:
  - o *'Domestic demand fell by 8.5% in 2023 compared to 2022, reaching levels not seen since the early 1970s.'*
  - o *'2022 saw record high temperatures and record high gas prices resulting in domestic consumers changing their behaviour, and a 19 per cent reduction in domestic consumption compared to 2021.'*
- Electricity:
  - o *'In 2023, domestic consumption fell 3.0 per cent compared to 2022. The low domestic consumption followed continued higher energy and other prices alongside near record high temperatures.'*

While some of these trends may be influenced by weather-related factors, they point to a structural shift in consumption patterns rather than a temporary anomaly. It is therefore essential that any update to benchmark consumption values reflects the most recent data and current market conditions.

We also note that the price impact of Option 2 (based 2023 data) is significantly higher than Option 1, further underscoring the steep downward change in median consumption between time periods. Failing to take a present-term view risks repeating the challenges outlined in our response to Question 1, namely, misalignment with actual customer usage and the potential for suppliers to under-recover fixed costs.

We urge Ofgem to consider more current data sources and trends in determining benchmark consumption to ensure the cap remains fair, accurate, and reflective of today's market.

### **3. What are your views on the alternative approach of using 2023 DESNZ median consumption data?**

We consider **the use of 2023 DESNZ median consumption data to be our preferred approach**, provided it is accompanied by a commitment to regularly review and update consumption values, as proposed in Option 1. While Ofgem has expressed concern that using a single year of data may not be representative, we believe that the 2023 data is more reflective of current consumption patterns than data from 2019 or 2021, which will be 5–7 years out of date by the time the updated benchmark is implemented.

The DUKES Energy data clearly shows that the decline in domestic consumption has persisted through 2023, driven by a combination of warmer weather, improvements in energy efficiency, behavioural changes and cost-of-living pressures. Again, these factors are not short-term anomalies but ongoing trends that continue to shape household energy use.

---

<sup>1</sup> [Digest of UK Energy Statistics Annual Data for UK](#)

In addition, weather-corrected, industry data also reinforces the patterns outlined by both Ofgem and DUKES. For example, the total Annual Quantity (AQ)<sup>2</sup> for domestic End User Categories (EUCs) fell by 17% between 2021 and 2023, with a further 1% decline in 2024 compared to 2023. This sustained downward trajectory highlights the importance of using the most recent and representative data to ensure benchmark consumption values are aligned with actual customer usage.

We acknowledge that adopting the 2023 DESNZ median consumption would result in an additional increase of £8.40 per customer per year (for DD dual fuel customers) and while this may be unwelcome against the current affordability backdrop, it is important that the price cap remains cost reflective. The longer Ofgem delays the use of more accurate data, the greater the risk of persistent under-recovery of costs and distortion of tariff choices, neither of which is in consumers' long-term interests.

**4. *What are your views on the option of using 2023 DESNZ mean consumption data, including any implications for the headroom allowance or other elements of the cap?***

While we welcome Ofgem's consideration of alternative data sources, **our preference remains for the use of median consumption over mean consumption.** Median values are less susceptible to distortion from outliers and therefore provide a more accurate reflection of the typical experience of households covered by the price cap. This is particularly important given the growing impact of factors such as electric vehicle (EV) adoption, which can skew mean consumption upwards, making it less representative of the types of customers captured by the price cap.

We agree with Ofgem's own assessment in the review that measuring mean consumption is inherently more uncertain, especially due to potential overlap with non-domestic datasets. We support this rationale and believe it remains valid today.

Any move to adopt mean consumption would require a broader review of the cap methodology, particularly where other elements are calibrated against median values. Consistency across the model is essential to maintain fairness and transparency. Therefore, we believe median consumption remains the more appropriate benchmark for the price cap. As it better reflects typical usage, avoids distortion from high-consumption households, and aligns with the structure of the existing cap model.

**Part B**

**1. *Do you consider that there is a case for introducing payment method specific benchmark consumption levels within the price cap?***

Yes, we believe that **introducing payment method-specific benchmark consumption levels within the price cap is essential** to accurately reflecting the costs suppliers incur in serving different payment types. This reform is also vital to addressing the entrenched competitive advantage currently enjoyed by suppliers with a high proportion of Direct Debit customers (with higher consumption amounts), and to fostering a more equitable and cost-reflective retail energy market.

---

<sup>2</sup> The Annual Quantity (AQ) of a gas meter point is an estimate of the amount of gas that it will use in a year under seasonal normal weather conditions.

The current approach does not adequately reflect the differences in average consumption between payment methods, particularly between prepayment meter (PPM) and direct debit (DD) customers. As highlighted in Ofgem's own analysis, the delta between PPM and DD consumption equates to approximately £20 per customer per year (relative to Option 1 in Part A). This is a material difference that has significant implications for suppliers, especially those with a higher-than-average proportion of PPM customers.

Failing to account for these differences risks continuing the distortions in cost reflectivity within the price cap, disproportionately disadvantaging suppliers whose business models over index on Prepayment Meter (PPM) or Standard Credit customers. This not only undermines competition but also imbeds unfair advantages for suppliers with a high share of Direct Debit customers. At present, Direct Debit-heavy suppliers are benefiting significantly at the expense of others, undermining the viability of diverse business models and threatening the long-term health of the retail energy market.

***2. We have considered a proposed method of calculating payment-specific benchmarks using the 2023 TDCVs weighted by average consumption data from the Debt-related Costs RFI, are there alternative data sources or methodologies you believe we should consider?***

We see the Debt-related Costs RFI as a reasonable starting point and probably the most applicable RFI for this context. However, it is important to note that the RFI data reflects actual consumption, which can be heavily influenced by weather conditions in a given year. For example, the recent warm winter has likely suppressed overall consumption, and this effect will be captured in the RFI data. If the RFI is used as the basis for weighting, it implicitly assumes that all payment types are equally sensitive to weather variations. In practice, this may not be the case. For instance, prepayment customers may be more responsive to temperature changes due to tighter budget constraints or different heating behaviours. If Ofgem wishes to improve the representativeness of the benchmarks, one option could be to request that suppliers provide their estimates of weather-normalised demand by payment type. This would help to control for year-to-year weather variability and provide a more stable basis for benchmarking.

That said, we recognise Ofgem's concern that the Debt-related Costs RFI is not a comprehensive market-wide dataset and may have limited representativeness due to its reliance on a subset of suppliers. To address this, Ofgem could consider supplementing or replacing supplier-specific RFIs with weather-corrected, industry-level data sources, such as Annual Quantity (AQ) for domestic End User Categories (EUCs) for gas and Estimated Annual Consumption (EAC) for electricity. These datasets are compiled across the market and offer broader coverage, with the potential to be linked to payment types.

***3. What are your views on the potential distributional and operational impacts of introducing payment-specific benchmarks?***

While concerns have been raised about potential distributional impacts, particularly for vulnerable, high-consuming customers on PPMs, we do not believe that maintaining a single benchmark is the appropriate way to address these issues. The cap should reflect the underlying cost of supplying energy, rather than serve as a mechanism for income

redistribution<sup>3</sup>. Instead, targeted, progressive support mechanisms should be developed outside of the cap framework to ensure that vulnerable households receive the help they need without distorting the cost reflective nature of the cap.

Operationally, the impact of implementing payment-specific benchmarks would be minimal. A change like this would simply involve an adjustment to our cap model and would not present a significant implementation challenge.

In summary, we support further exploration of payment-specific benchmarks as a way to enhance fairness and cost reflectivity in the cap, while ensuring that support for vulnerable customers is delivered through more appropriate and targeted channels.

Hannah Braidwood  
**Regulatory Economics and Policy**

---

<sup>3</sup> The cap reallocates some PPM costs to DD customers because of Ofgem's February 2024 decision to 'levelise' these costs. However, this reallocation is not accompanied by a supplier reconciliation which allows suppliers to recover their 'pre-levelised' costs.