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By email:
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Energy Price Cap Benchmark Review

About us

Consumer Scotland is the statutory body for consumers in Scotland. Established by the Consumer Scotland Act 2020, we are accountable to the Scottish Parliament. The Act defines consumers as individuals and small businesses that purchase, use or receive in Scotland goods or services supplied by a business, profession, not for profit enterprise, or public body.

Our purpose is to improve outcomes for current and future consumers, and our strategic objectives are:

- to enhance understanding and awareness of consumer issues by strengthening the evidence base
- to serve the needs and aspirations of current and future consumers by inspiring and influencing the public, private and third sectors
- to enable the active participation of consumers in a fairer economy by improving access to information and support

Consumer Scotland uses data, research and analysis to inform our work on the key issues facing consumers in Scotland. In conjunction with that evidence base we seek a consumer perspective through the application of the consumer principles of access, choice, safety, information, fairness, representation, sustainability and redress.

Consumer principles

The Consumer Principles are a set of principles developed by consumer organisations in the UK and overseas.

Consumer Scotland uses the Consumer Principles as a framework through which to analyse the evidence on markets and related issues from a consumer perspective.

The Consumer Principles are:

- Access: Can people get the goods or services they need or want?
- Choice: Is there any?
- Safety: Are the goods or services dangerous to health or welfare?
- Information: Is it available, accurate and useful?
- Fairness: Are some or all consumers unfairly discriminated against?
- Representation: Do consumers have a say in how goods or services are provided?
- Redress: If things go wrong, is there a system for making things right?
- Sustainability: Are consumers enabled to make sustainable choices?

We have identified **information** and **fairness** as being particularly relevant to the consultation proposal that we are responding to.

Our response

We welcome Ofgem's proposals to update the benchmark consumption in the price cap. It is important for consumer confidence in the price cap that it accurately mirrors the underlying costs of supplying energy. Updating the cap to tackle the under-recovery of fixed and networks costs is necessary to securing the financial sustainability of essential infrastructure and avoiding higher long-term costs for consumers.

An updated benchmark consumption must be based on robust and accurate data, and we have highlighted previous concerns that have been raised about Profile Class 2 (PC2) data. With the concentration of restricted meters in the North of Scotland, it is important that decisions made with this data is accurate to avoid distortions in the pricing methodology of the price cap.

Ofgem must carefully consider both the effect multiple price cap figures may have on consumer energy understanding of what the price does and does not do, the distributional impact of its benchmark consumption proposals, and its proposals to introduce segmented consumption benchmarks by payment method.

We do not support a move towards multiple price caps for different payment methods. The original intent behind the price cap was to provide backstop price protection for disengaged consumers. The proposals would take the price cap away from this purpose.

Our research has highlighted that the current proposals are likely to fall most heavily on prepayment Meter (PPM) consumers in Scotland, who already face disproportionate affordability, debt and fuel poverty challenges. While cost-reflectivity is an important principle, if Ofgem are to proceed with this proposal they should very carefully consider the distributional impact that this would have for less well-off consumers.

Part A – Change of Consumption Benchmark used in Price Cap Methodology

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

Consumer Scotland supports the updating of benchmark consumption in the price cap to reflect contemporary consumption data. However, we recommend that Ofgem consider the distributive effects that the proposed changes will have on consumers, particularly those in Scotland who may be acutely affected.

A cost reflective price cap is essential in the interests of all consumers, to balance fairness, transparency of bill components, market efficiency, and to correctly inform policymakers about future action around targeted affordability support. The use of up-to-date consumption data in the price cap supports these aims in the following way:

- Fairness and Transparency – Using accurate and current consumption data ensures that the price cap reflects actual consumer usage, promoting fair pricing and preventing unintended subsidies or costs that may arise from relying on outdated information.
- Market Efficiency – Up-to-date consumption data will ensure suppliers are setting prices and managing costs based on current usage patterns, ensuring competition is based on efficiency and consumer service as opposed to outdated data and/or distortions.
- Informing Appropriate Market Interventions – A cost-reflective price cap provides Ofgem and government with a more accurate means of assessing where targeted interventions may be required.

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

Consumer Scotland agrees with the minded-to proposals to update the benchmark consumption level using the latest TDCV, or “Option 1” as it is presented in the consultation paper.

Option 1 strikes a balance that aligns with the established TDCV methodology. It should allow Ofgem to provide predictable updates (every 2 years in line with the TDCV updates), and is potentially less volatile than using a single-year dataset as the other options recommend.

However, Ofgem must ensure that the data it is using is sufficiently robust. Analysis by SSEN and Grid Edge Policy has previously raised concerns about the robustness of underpinning consumption data for PC2 (Economy 7) customers¹. The report highlights that electric-heated homes are high electricity users, but not necessarily high overall energy consumers. However, it also recognises that there is a lack of reliable information on which households operate storage heaters, as opposed to those with other electric heating or other restricted-meter arrangements, and casts doubt on the validity of existing consumption calculations and segments. This analysis presents a challenge for updating benchmark consumption if the data used for restricted and multi-rate meters may not accurately reflect real-world consumption. We recommend Ofgem undertakes a review of this potential issue in its PC2 analysis to avoid creating a distortion for restricted and multi-rate meter consumers.

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

The use of 2023 DESNZ median consumption data presents challenges relating to data integrity and maintaining transparency and simplicity in the energy price cap.

DESNZ median consumption data is modelled, relying on underlying assumptions and estimates about meter readings. This is a recognised limitation of this dataset that can lead to potential modelling errorsⁱⁱ, such as year-to-year spikes caused by some meters moving between actual and estimated meter readings.

The use of DESNZ median consumption data also presents a departure from price cap methodology. If Ofgem were minded to take this approach, it should consider carefully any unintended impacts this may have on other cap elements, such as it discusses with regards to supplier headroom allowance. Ofgem would also need to consider what complexity this might introduce for both stakeholders and consumers by departing from the current process.

Question 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?

We do not consider the use of 2023 DESNZ Mean Consumption Data to be an appropriate basis for benchmark consumption as this time.

As outlined in our answers above, it is important that the data underpinning price cap calculations and associated allowances is both robust and accurate. We are concerned that the Mean Consumption Data may be significantly affected by the inclusion of misclassified non-domestic meters, a risk that DESNZ highlights in their methodologyⁱⁱⁱ. Ofgem acknowledges this risk in the consultation. This potential distortion risks undermining reliability in the dataset for setting domestic benchmark consumption.

We recommend that Ofgem rule out using the Mean Consumption Data unless and until it is satisfied that it fully understands the extent of 'skew' in the dataset and/or that it can be sufficiently cleansed to mitigate this risk.

Part B – Payment Method Specific Approach

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

We would welcome Ofgem considering further research and policy development with regards to the specific proposals around Payment Method Specific benchmark consumption. In our answer to questions in part B of the consultation, we have highlighted what we believe are areas that have not been considered and recommend Ofgem investigate these areas further before setting out further proposals:

Distributional Effects – As noted below in response to question 3, we have highlighted evidence the potential distributional effects the introduction of payment method benchmark consumption may have on Scottish consumers.

Communicating the Price Cap – Ensuring that the price cap is communicated to consumers in a transparent and straightforward manner as possible is essential. This clarity will facilitate both an easier explanation of pricing to consumers, and allows for consumer groups and charities to scrutinise policy decisions effectively.

There is a risk that introducing different price caps for different payment methods risks undermining the purpose of the price cap and the transparency of pricing. Setting distinct caps for each payment method could make it more challenging to provide clear and consistent explanations of pricing differences or changes to the price cap, complicating efforts by consumers and advocacy organisations to assess whether the differences in underlying cost structures are justified.

A recent illustration of potential confusion around the system is highlighted in Ofgem’s own research on consumer perceptions of standing charges. Ofgem’s research found that some survey respondents did not fully appreciate the trade-off between standing charges and unit rate charges^{iv}. Further, research from Uswitch in mid-2023 revealed that more than half of energy customers (54%) were unsure what the price cap is or what it does, and almost half (45%) incorrectly believed that the price cap is the maximum amount you can pay for your yearly energy bill^v.

The introduction of multiple price caps risks adding further complexity for consumers and Ofgem must consider this potential behavioural effect.

Interactions with Wider Affordability Policy – Affordability policy proposals, such as the Warm Home Discount and its recent extension for 2025/26, make reference to TDCVs in their design and impact assessments.

Ofgem must consider any challenges to wider policy development that the introduction of Payment Method Specific Benchmark consumptions values may have, such as complicating public messaging or as reference points in wider government support schemes. While TDCVs are differentiated by usage band, the current proposals add another layer of complexity by differentiating by payment method.

Question 2. We (Ofgem) have considered a proposed method of calculating payment-specific benchmarks using 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?

No comments.

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

We believe there is sufficient evidence of distributional impacts of introducing payment-specific benchmarks. Ofgem already recognise in the consultation that PPM customers will have to pay £14.76 more per year, compared to a £3.64 increase for Standard Credit customers, and a £6.10 decrease for Direct Debit Customers, under a payment-specific approach. This is likely to cause significant distributional impacts on high consumption PPM households.

Consumer Scotland's 2025 Energy Affordability Tracker highlighted the following from Scottish survey respondents^{vi}:

- Consumers who pay their energy bill when it arrives or by prepayment meter (20%) are more likely to be in energy debt (20%) compared to consumers who pay by direct debit or standing charge (14%)
- 34% of respondents in energy debt or arrears reported that they had been put on a prepayment meter due to their debt, an increase from 16% in 2024.

Changes to the price cap are therefore likely to affect consumers who are already in debt to their energy supplier. Potentially higher energy costs for this group would likely lead to a higher risk of self-disconnection and an increase in debt and affordability pressures.

Further, the Scottish Government's Scottish Household Survey 2023 highlights that PPM users in Scotland are more common among lower income groups, and a higher proportion of households with a PPM (electricity, gas, or both) were in fuel poverty compared to households without a PPM, 57% compared to 31% respectively^{vii}. These findings highlight that any changes to the price cap that will particularly affect PPM households is likely to fall on the shoulders of lower income groups, and challenge Government strategies to tackle fuel poverty.

ⁱ SSEN and Grid Edge Policy (2022) [An Electric Heat Pathway: Looking Beyond Heatpumps](#); pp.26-27

ⁱⁱ BEIS (2023) [Subnational Consumption Statistics: Methodology and Guidance Booklet](#)

ⁱⁱⁱ DESNZ (2024) [Subnational Electricity Consumption Data - Methodology](#), 3.1.3

^{iv} Ofgem (2025) [Consumers' Attitudes Towards Standing Charges – An Omnibus Survey](#)

^v USwitch (2023) [Price Cap Confusion: Over Half of Homes Don't Understand What the Price Cap is or Does](#)

^{vi} Consumer Scotland (2025) [Insights from the 2025 Energy Affordability Tracker](#)

^{vii} Scottish Government (2025) [Scottish House Condition Survey 2023 – Fuel Poverty](#)