

Review of typical domestic consumption values

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About Energy UK

Energy UK is the trade association for the energy industry, representing companies investing billions of pounds to secure our country's current and future energy needs.

From growing start-ups to major electricity generators, grid and infrastructure developers and energy suppliers, our members are driving change across power, heat, transport and flexibility.

We provide a collective voice for the sector working with governments, regulators, charities and other organisations to provide crucial insight that shapes policy, offers solutions and promotes best practice.

Our broad view across the whole system supports evidence-based positions which are not tied to particular technologies, and are focused on delivering strategic benefits for people, businesses and the economy.

We champion initiatives such as our Vulnerability Commitment, which pushes suppliers to go beyond regulation to support customers with additional needs, and TIDE, the industry's drive for greater inclusion and diversity. Through our Young Energy Professionals Forum, we support the development of future leaders.

We are equally committed to our team and are proud to be recognised as a 'Gold' Investors in People employer.

Response

Energy UK strongly supports Ofgem updating the TDCV benchmark consumption so that it reflects up-to-date evidence on household energy use. We agree that Ofgem should be lowering the consumption benchmark from the July price cap, which will help to address supplier cost under recovery.

Benchmark consumption in the cap should reflect default tariff customers as closely as possible, not just broad averages, given it directly affects cost recovery in the cap and the likelihood of increased divergence between engaged and disengaged customers' consumption levels. TDVC accuracy is also important as a reference for customers those that don't know their consumption to be able to manage their spending and compare different tariffs when shopping around.

We do not think that Ofgem is proposing to use the best available evidence to accurately reflect the falling usage. The proposed methodology remains too backward-looking and conservative relative to the evidence in the consultation of the longitudinal trend and most recent evidence of declining energy usage. The TDCV

values should be lower than proposed because the methodology lags current consumption trends and appears to overstate current typical usage. We think Ofgem should use the latest 2025 supplier and industry data in addition to 2023-24 figures in finalising the decision to mitigate this impact.

We also encourage a deeper review of the methodology and the need for frequent reviews. This is needed going forward so that benchmark assumptions do not remain materially out of step with customer behaviour for prolonged periods. This would be prudent. It will remain vital that TDCV approach is as robust as possible to enable supplier cost recovery.

With the costs of energy set to increase but changes to the TDVC reducing the cap level, it is vital that Ofgem and industry work together to explain changes to consumers. Energy UK encourages Ofgem to collaborate closely with industry to ensure clear communications and better outcomes for customers.