

Review of Typical Domestic Consumption Values – Utilita Response

Summary

Utilita is supportive of the proposal to adjust TDCVs as outlined in the consultation.

We also urge Ofgem to continue their analysis on payment method specific TDCVs, as discussed in the August 2025 Energy Price Cap Benchmark Consumption Review. The current lack of payment specific benchmarks leads to under-recovery of certain costs for prepayment customers. This issue must be corrected to ensure Ofgem's models are accurate and are not inhibiting fair cost recovery from certain customer groups. Correcting this issue is important to ensure suppliers are not disincentivised from competing for any specific groups of customers. We have included some analysis on the impact of the lack of these specific benchmarks in this response.

Feedback on current Proposal

Utilita is supportive of the proposal to adjust TDCVs in line with the tables below.

Table 1: Breakdown of proposed change to TDCV

Electricity — Profile Class 1 (Standard single-rate meters, kWh per year)

Usage Level	2023 TDCV	2026 TDCV	Change
Low	1,800	1,600	-200
Medium	2,700	2,500	-200
High	4,100	3,800	-300

Electricity — Profile Class 2 (Multi-rate meters, kWh per year)

Usage Level	2023 TDCV	2026 TDCV	Change
Low	2,200	1,900	-300
Medium	3,900	3,400	-500
High	6,700	6,100	-600

Gas (kWh per year)

Usage Level	2023 TDCV	2026 TDCV	Change
Low	7,500	6,000	-1,500
Medium	11,500	9,500	-2,000
High	17,000	14,000	-3,000

We assume that the medium usage scenario will be used for all SVT calculations.

Ofgem's methodology applied and sources of data are sound. Settlement data is as accurate a source of consumption data available. Ofgem's considerations on the consumption drivers are logical and we concur that a rebound in average consumption is unlikely.

We note that the importance of accurate TDCVs has increased as more elements of SVT recovery are shifted to volumetric.

Payment Method Specific Benchmarks

Ofgem considered the setting of specific benchmarks for payment methods in the August 2025 consultation Energy Price Cap Benchmark Consumption Review¹.

Ofgem used data they had collected from a Debt-related costs RFI to produce the table below.

Table 4- Proposed Benchmark Consumption

Fuel Type	Metering Arrangement	Payment Type	Ofgem Current Benchmark (kWh)	Proposed New Benchmark (TDCV weighted by average demand from Debt RFI)
Electricity	Single Rate	DD	3,100	2,863
Electricity	Single Rate	SC	3,100	2,603
Electricity	Single Rate	PPM	3,100	2,327
Electricity	Multi-Rate	DD	4,200	4,112
Electricity	Multi-Rate	SC	4,200	3,740
Electricity	Multi-Rate	PPM	4,200	3,343
Gas	N/A	DD	12,000	12,673
Gas	N/A	SC	12,000	10,836
Gas	N/A	PPM	12,000	8,586

Source: Table 4, August 2025, Energy Price Cap Benchmark Consumption Review

Ofgem's stated rationale for considering payment method specific benchmarks was to improve cost reflectivity in the price cap. Certain fixed costs, such as operational costs and policy costs, are recovered through the unit rate. This leads to under-recovery risks for customers which consume under TDCV. Ofgem recognised this would create winners and losers across suppliers based on how heavily weighted their customer base was between PPM and DD. We agree that this assessment is accurate.

In the November 2025 decision document, Ofgem ultimately decided to continue to review the option of payment method specific benchmarks. We believe the evidence requires Ofgem to continue this review.

In the decision document Ofgem stated that there was universal recognition that such benchmarks would improve cost reflectivity. Those opposed to the change highlighted the potential impacts on vulnerable customers, and aversion to increasing complexity of the model.

¹ Energy price cap benchmark consumption review - <https://www.ofgem.gov.uk/consultation/energy-price-cap-benchmark-consumption-review>

Concerns around modelling complexity are insufficient to prevent the implementation of payment method specific benchmarks. The price cap model is already complex, and introduction of new benchmarks would not significantly change this.

Neither should Ofgem prevent suppliers from recovering efficient costs for the sake of ensuring affordability for a specific cohort of customers. Any decision made in this light should be considered as Ofgem knowingly preventing suppliers from recovering costs from prepayment customers for justifications which do not apply to any other cohort of customers.

Affordability measures should be targeted and deliberate. They must not be achieved through deliberate inaccuracy in modelling to produce inconsistent outcomes across customers and suppliers.

The absence of payment method specific benchmarks continues to create winners and losers between suppliers. Ofgem is currently consciously distorting cost recovery across payment methods.

The absence of payment method specific benchmarks runs in direct contradiction to how the rest of the price cap model works. Ofgem currently produces payment method specific caps because of how different cost stacks apply to different payment methods. Each payment method has its own cost stack calculated – but no consideration is then paid to the recoverability differences. If only one TDCV is to be used, then a universal cost stack should also apply.

If Ofgem is consciously choosing not to introduce such benchmarks for the sake of impacts on affordability – they are directly in contradiction of their duty to ensure suppliers can recover efficient costs.

Absence of Payment Method Specific Benchmarks Impact

Accurate TDCVs are essential for the recovery of fixed costs which are recovered on a volumetric basis. We calculate that ~£66.98 of electric and ~£44.08 of gas costs are fixed costs, recovered through unit rates. This calculation is shown in Appendix 1.

It is the recovery of these costs where TDCVs are most relevant. Costs are divided by the TDCV to calculate how much should be recovered per kWh, i.e. added to the unit rate.

We have modelled the impact of different TDCVs on suppliers' ability to recover prepayment costs. This is included in Appendix 2. We have assumed that the Debt RFI consumption values for PPM are accurate. We note that these values require further development to ensure they are accurate.

Using current TDCVs, suppliers are under-recovering electricity costs by £9.25 per customer and gas costs by £11.17. Were the newly proposed TDCVs to be implemented, this remains at £4.64 and £4.24.

Under-recovery to this extent necessitates further analysis.

Next Steps on Payment Method Specific Benchmarks

We are keen to understand Ofgem's next steps towards implementing payment method specific benchmarks as soon as possible. We would like to meet with Ofgem to discuss this matter further.



We recognise that accurate data sources for consumption by payment method is a critical input. We have some suggestions as to potential sources and methodologies which we would be keen to discuss.

Appendix 1 – PPM Fixed Costs recovered Volumetrically²

Cost Type Category		Elec				Gas				Dual		
		Total Cap	Nil Cap	Volumetric Total		Total Cap	Nil Cap	Volumetric Total		Total Cap	Nil Cap	Volumetric Total
Fixed costs recovered through unit rate	Industry	18.55	9.40	9.15		15.47	11.27	4.21		34.02	20.67	13.36
	Core Operating	127.20	80.94	46.26		136.34	107.66	28.68		263.54	188.60	74.94
	Debt Costs	9.79	6.03	3.76		8.60	6.24	2.36		18.39	12.27	6.12
	EBIT*	10.70	2.88	7.82		10.70	1.87	8.83		21.40	4.75	16.65
Total fixed costs recovered through unit rate				66.98				44.08				111.06

Methodology

The table above attempts to display costs which are incurred on a fixed basis but assigned to unit rates for the sake of recovery. These are costs which suppliers are exposed to regardless of a given customer's consumption level.

The Total Cap value is taken at current PPM TDCV benchmarks for Single Rate Electricity and Gas as of April 2026. This is the total level of fixed cost.

The Nil Cap value (with the exception of EBIT) is taken from the equivalent Nil Cap models. This is the element of fixed cost which is recoverable via standing charges.

The difference between these figures is the total amount of fixed cost which is assigned to volumetric/unit rate – and thus is at risk of under/over-recovery as a result of inaccurate TDCVs.

Fixed Costs Included

- **Industry Costs** – These include DCC, SEGB, Elexon, RECCo, DCUSA and Xoserve costs. These are all charged to suppliers on a per customer/meter point basis. The decision was made to split them across standing charges and unit rates to maintain continuity with the ratio used for the operating cost allowance.

² Costs are taken from April 2026 – June 2026 Price cap, Using the Benchmark PPM and Nil PPM values, all at GB Average

- **Core Operating Costs** – These include metering, billing and payments and central overheads.
- **Debt Costs** – This includes bad debt costs, debt-related administrative costs and working capital costs. For the sake of cost recovery, these costs are all fixed. They relate to the collection of non-paying customers' debts. They do not scale with the consumption of other paying customers. There is precedent for such costs to be recovered via standing charges, specifically SOLR costs.
- **EBIT** – The table above includes only the fixed (£21.3967 per customer) element of EBIT. We have attempted to adjust the nil cap allowances to remove the variable element which applies at nil consumption. This is why the nil cap level will not match what is shown³ in Ofgem's nil cap models.

³ £5.93 electricity, £3.60 gas

Appendix 2 – Impact of TDCVs on recovery of Fixed Costs

	Relevant Cost (£)	TDCV (kWh)		p/kWh	Actual Prepay Consumption (kWh)	Recovered (£)	Per Customer Under Recovery (£)
Elec	66.98	Current	2700	2.48	2327	57.73	9.25
	66.98	To be	2500	2.68	2327	62.35	4.64
	66.98	Prepay	2327	2.88	2327	66.98	-
Gas	44.08	Current	11500	0.38	8586	32.91	11.17
	44.08	To be	9500	0.46	8586	39.84	4.24
	44.08	Prepay	8586	0.51	8586	44.08	-
Dual	111.06	Current	-	-	-	90.64	20.42
	111.06	To be	-	-	-	102.19	8.88
	111.06	Prepay	-	-	-	111.06	-

Methodology

This table takes the total costs from the table in Appendix 1 and demonstrates the impact of different TDCVs for the sake of cost recovery.

The relevant cost is taken from the table in Appendix 1. This is the fixed cost currently recovered on a volumetric basis.

Current TDCV is the TDCV used in the April – June 2026 cap. The “To be” value is taken from the “medium” scenario TDCVs proposed in this consultation. The “Prepay” TDCV is taken from Table 4 in the August 2025 Benchmark Consumption Review consultation.

We divide the total relevant cost across each TDCV to calculate a p/kWh addition to the unit rate.

This p/kWh is then multiplied by the actual consumption. We have assumed that the Prepay TDCV is the actual consumption of a customer. This gives us the total amount of cost recovered based on using each of the TDCVs.

The difference in recovery to the actual relevant cost is then calculated as the per customer under-recovery.