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“Review of typical domestic consumption values” – So Energy Response

Dear Daniel,

So Energy is a leading energy supplier providing great value renewable electricity to homes across Great Britain. As one of the last challenger suppliers left in the market and one that is backed by ESB Group’s resources and expertise, So Energy is able to provide a unique view of customer service and competition in today’s energy market.

We welcome Ofgem’s review of Typical Domestic Consumption Values (TDCVs). An increasingly volatile climate and energy market has a direct impact on consumer consumption behaviours, making this harder than ever to predict. With regards to the proposals, we wish to make the following key points:

1. We encourage Ofgem to update the TDCVs, in line with the price cap benchmark consumption and for this to be implemented before July of this year.
2. Seasonal normal should be reviewed on a more frequent basis, as an increasing trend of warmer seasons poses numerous risks and greater uncertainty. We propose the frequency of reviews be increased to every two years.
  - a. The current 5-year gap between each review is based on dated consumption data which would no longer be applicable. What worked in the past, is not necessarily going to continue to work, given global temperatures are racing towards a 1.5-degree increase.
3. TDCVs should also be reviewed and updated on a more frequent basis. We propose these should be reviewed every year, in order to ensure they are reflective of recent household consumption patterns.
4. We call on Ofgem to implement a price cap mechanism where in cases of two consecutive years of consumption shortfalls, an adjustment is applied to the subsequent year’s price cap to account for shortfalls in supplier revenue. In the context of squeezed margins and an extremely tight price cap, there is no room in the cap to continue to account for these shortfalls. The collapse of supplier profits to £8/yr per customer is evidence of this.<sup>1</sup>

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<sup>1</sup> [Ofgem State of the market report](#)

We support Ofgem's proposal to update TDCVs. Ofgem should endeavour to ensure these continually reflect the most up-to-date evidence on household energy use. We encourage Ofgem to review these values, along with seasonal normal data, on a more frequent basis. We've determined two main factors that impact TDCVs: fossil fuel volatility and weather.

#### *Fossil fuel volatility - high prices*

Household consumption behaviour is impacted by numerous factors which are outside the control of industry and make consumption patterns difficult to predict. An increasingly unstable global political climate creates volatility within the energy market, as the sector has seen again recently. Higher gas prices directly correlate with reductions in energy consumption. When costs are high for prolonged periods of time, for 6 months or more for example, we can expect the TDCVs to no longer reflect actual current household consumption.

We propose TDCVs should be reviewed on annual basis in order to capture periods of prolonged consumption decline. If these are reviewed beyond an annual basis, there remains risk of misalignment between what consumers are using and what is provided for in the price cap. Annual reviews provide enough time for material changes to be made to household consumption patterns, and for Ofgem to review these changes with recent data, providing the most reflective TDCVs.

#### *Climate change - seasonal normal*

Greater levels of global carbon emissions are contributing to a continuous rise in global heating, reducing the likelihood of meeting the 2°C climate target.<sup>2</sup> All recent evidence points towards an acceleration in the frequency of warm winters. Continuing to review seasonal normal at the traditional 5-year frequency no longer aligns with the facts on the ground. In recent years, each winter persistently ranks among the warmest on record and traditional approaches to forecasting weather are breaking down. Demand dropped 5% in the most recent review and demand for gas will likely decrease significantly further by the next review in 2030. These drops in demand are very material in the context of a market where suppliers earned £8 per customer in 2025. Suppliers cannot afford to wait 5 years for seasonal normal to catch up. In order to keep seasonal normal relevant to real world weather patterns, seasonal normal needs to be updated more frequently. We would suggest every two years. Failing that, a proxy for seasonal normal is needed for the purposes of calculating TDCV, so that our warming climate can be appropriately factored into price cap calculations.

#### *Reconciliation of price cap demand outturn*

We call on Ofgem to implement a price cap mechanism where in cases of two consecutive years of consumption shortfalls, an adjustment is applied to the subsequent year's price cap

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<sup>2</sup> <https://www.ipcc.ch/report/ar6/syr/resources/spm-headline-statements/>

to account for shortfalls in supplier revenue. In the context of squeezed margins and an extremely tight price cap, there is no room in the cap to continue to account for these shortfalls. The collapse of supplier profits to £8/yr per customer is evidence of this.

We'd be more than happy to discuss this with you further, please don't hesitate to get in touch.

Yours Sincerely,  
Raquel Fernandes

