

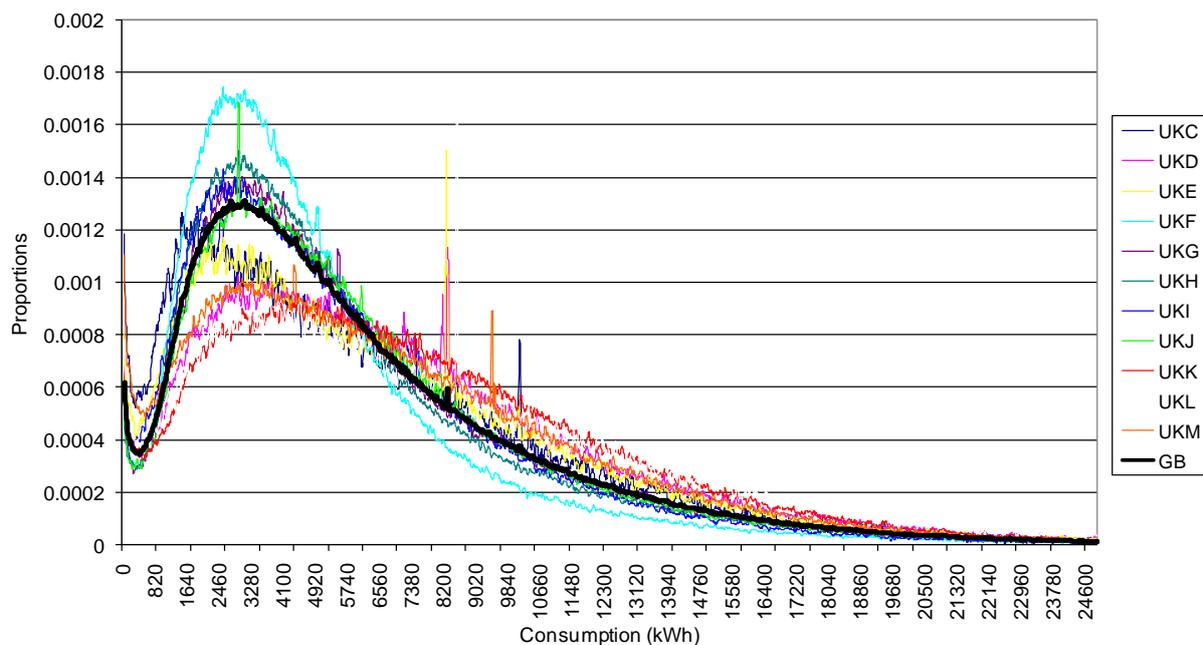
Response to Ofgem consultation from the Domestic Energy Prices Team and the Sub National Energy Statistics Team, DECC

Electricity

We agree that the average annual standard electricity consumption should be kept at 3,300 kWh given the available evidence as presented in the consultation. Our current standard electricity bills are calculated assuming an annual consumption of 3,300 kWh and therefore will remain consistent with Ofgem assumptions.

For Economy 7 electricity, we currently use 6,600 kWh as the average consumption upon which we calculate our bills. The consultation suggests that Ofgem will use 5,000 kWh for their average annual E7 consumption. While we can clearly see the reasoning behind this decision (the chart below, produced using DECC data, shows the distribution of E7 electricity consumption in 2007), we would like to raise a couple of issues surrounding E7 consumption. First of all, we believe that there are actually at least two types of E7 users – those who use it in the same way that they would use standard electricity (e.g. for lighting, etc) and those who use it for heating. DECC statistics (using information from the Domestic Energy Factfile produced by BRE) show that, in 2007, around 8 per cent of centrally heated households used electricity as their source of energy, which amounts to around 1.9 million households. However, according to our domestic prices data, there were 4.5 million customers with an Economy 7 tariff at the end of 2007. There were around 5.4 million “profile 2” electricity meters, which were used to determine the data in the chart.

Economy 7 electricity



We believe that these two types of users will have very different distributions, with the heating users consuming a far greater quantity than non-heating users. The chart above is likely to represent a merger of the two distributions. This is complicated further by night and day users of Economy 7 electricity. Therefore, a point estimate like the ones used by both Ofgem and DECC may not be ideal for representing the true situation in these cases and may be particularly confusing for customers looking for the best deals on price comparison websites.

Unfortunately, the data needed to improve this situation is not currently available but we wanted to flag this issue as something to consider in the future.

Gas

With regards to gas, we are happy that the Ofgem average consumption level is reduced from 20,500 kWh to 16,500 kWh given the available evidence. The level used for calculating DECC average gas bills is 18,000 kWh and so the reduction in the Ofgem figure will hopefully bring Ofgem calculated bills and DECC calculated bills more in line.

Note: We intend to retain our current average annual consumption levels for gas, standard electricity and Economy 7 electricity in calculating domestic energy bills (i.e. regardless of the outcome of the Ofgem consultation) in order to preserve long term time series.