

September 24th, 2010

Katie Brennan
Retail and Market Processes Team
Ofgem
9 Millbank
London
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Dear Katie,

Review of Typical Domestic Consumption Values

Please find First Utility's response to your request for information below.

Chapter 2

Question 1: Do you agree that we have used the most appropriate data on which to base our review?

First Utility would agree that actual meter point data produced for gas and electricity data audits is appropriate for the purposes of this review.

Question 2: Do you agree that the distribution analysis leads us to believe that the median value is more appropriate to use for typical consumption?

The distribution analysis quoted in the consultation document confirms what would be expected, i.e. that most domestic customers fall within a certain bracket of consumption with a few showing higher levels. The median is an appropriate figure to use as the mean would, as stated by Ofgem, skew the figures and give a consumption level higher than that which would appear to be reflective of the average domestic consumer.

Question 3: What do you think about the four models we have employed?

First Utility is of the opinion that historical consumption data as used in Models 2 and 3 is a better basis for consumption assumptions going forward than projected values as used in Models 1 and 4. As Model 2 incorporates more data than Model 3 this would be our preferred choice. We agree that Model 2 would be expected to show slightly higher levels of consumption than Model 3 as it contains more data, however we do not consider this factor as likely to have a significant impact on Ofgem's analysis.

Chapter 3

Question 3: Have we considered all the key impacts of changing typical consumption values?



It is possible that, in gas, this may result in a downward movement of domestic AQs through the AQ Review process. However, the twenty per cent “deadband” contained in the UNC in relation to SSPs may limit the effect of this.

Chapter 4

Do you agree with our recommendation that Model 2 best represents typical domestic consumption?

As stated above, we feel that Model 2 should provide the best overall basis for ascertaining typical domestic consumption as it is based on historical actual consumption figures over a reasonably lengthy period of time.

Regards,

Chris

Chris Hill
Regulation