

ScottishPower Response - Revision of typical domestic consumption values

Chapter Two

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

We would agree that the best available data has been used to inform this review. The sources used for data collection seem reasonable and a consistent approach has been undertaken across each year.

Although normally we would have concerns over the use of Annual Quantity (AQ) values as a proxy for current customer usage, we believe that in this instance it is the most reasonable assumption available for the entire domestic market. In our experience, if anything, the AQ values held by xoserve are over-stated, due to the fact that there is a portion of premises where the consumption does not update under the review, coupled with the fact that consumption is falling year on year.

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

We would agree that the median value is more appropriate to use for typical annual consumption, as this is in line with consumption values that we would expect. By using the 'median' as opposed to the 'mean' any outliers which may inaccurately skew the average value are removed.

Given the AQ Review of the Small Supply Point AQs is sitting at around 80% performance on a yearly basis, we believe that this re-enforces that the median should be used, as there will potentially be a high number of outliers. In addition the median will factor out any "data quality issues"

Question: What do you think about the 4 models we have employed?

We believe that the 4 models employed have provided a broad range of options for this review.

However, by adopting different methodologies of actual and projected consumption along with a variety of time periods, we are satisfied with the level of current analysis that Ofgem has carried out.

Chapter 3

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

As recognised within the consultation document a key area that would be impacted from a supplier perspective is average annual bill calculations, which are used in different aspects of a Supply business. Changing these values will require amendments to a number of areas such as sales and marketing literature, advertising campaigns, websites and technical changes to our sales systems.

It is important to recognise the lead time required to implement any change, as we would have to amend systems and update literature used to demonstrate savings to consumers, and would also have to provide notice to our external marketing agencies in terms of changes to our existing or planned campaigns. Another important factor is allowing sufficient time is allowed for all Suppliers to reduce existing levels of literature stocks, to ensure that the change minimises the environmental and cost impact. We would suggest that a 3-month notice period is provided.

Additionally, other organisations such as Consumer Focus and price comparison websites will also have to make changes to their public literature and technical quote systems, therefore in order to avoid customer confusion we would suggest that these changes should be implemented within the same 3 month timescales.

We note that Ofgem would consider revisiting the consumption figures again should consumption patterns show significant change in the future. Although we agree that a subsequent review would be required should consumption patterns demonstrate considerable change, we would ask Ofgem to carefully consider the impact on stakeholders and timing of revisiting these figures once amended. In order to effectively manage internal processes, it would be helpful to understand from Ofgem an indicative timescale of the frequency of such a review.

Chapter 4

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

We agree that model 2 is the most appropriate model to base Ofgem's proposed changes and best represents typical domestic consumption. We are pleased that the model chosen has been based on historic actual consumption data and a greater number of years as a sample period than the alternative models.