

Consumer Futures

Diego Villalobos
Energy Market Monitoring and Analysis
Ofgem
9 Millbank
London
SW1P 3GE
31 July 2013

Dear Mr Villalobos

Consumer Futures response to the Review of typical consumption values

Consumer Futures represent consumers across regulated markets. We use evidence, analysis and argument to put consumers at the heart of policy-making and market behaviour. We speak up for consumers of postal services across the United Kingdom, of energy across Great Britain and of water in Scotland.

Consumer Futures welcomes the opportunity to respond to this consultation. Our response is not confidential and can be published on your website.

Consumer Futures agrees that Ofgem has used the most appropriate data on which to base their review. We consider that due consideration has been taken regarding the distribution analysis and that Ofgem has reached the correct decision for typical consumption by using the median value.

We appreciate your clarification on the Profile Class 2 consumers and that they cover two-rate or multi-rate meters (eg meters that support Economy 7-type tariffs) only and that there is only one meter type for domestic gas consumption data.

As previously stated, in our response in 2010, Consumer Futures would appreciate further information regarding E7 average off peak consumption. We think 40 per cent is a more accurate representation of average night time usage, rather than the current average of 55 per cent, and believe Ofgem should review the usage. We published research last year on Time of Use tariffs that indicated that there was significant variation across suppliers on what percentage of electricity needed to be used on the off peak rate in order to make the tariff cost effective. The research also found that information provided on this was not clearly explained to consumers and needs to be addressed in order for consumers to get an accurate E7 price comparison. The RMR proposals say that they will introduce a working group to cover the methodology for calculating TCRs for TOU tariffs.

Also, as previously stated, we would be interested in how Ofgem plan to communicate this change to the wider audience eg the media. We would particularly welcome

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Royal Exchange House
100 Queen Street
Glasgow
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21 Cowbridge Road East
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further information on if/how the historic decline in average consumption will be incorporated into the weekly Supply Market Indicators.

Response to questions

1. Do you agree with the options presented for calculating revised TDCVs? (Chapter two)

We are pleased that you are taking a consistent approach and have not changed the main data and methodological consideration calculations of the last TDCV review.

We are relatively comfortable with the proposed methodology for gas but less so in relation to electricity. The gas data is weather corrected, but the electricity data is not. Weather should not make a dramatic impact on the electricity consumption of consumers in Profile Class 1 but may on those in Profile Class 2, because the latter will include a much higher incidence of consumers who use electricity as their source of heat. The absence of weather correction would result in limited distortions if the calculation was being made over a relatively long time period, as years when the weather was colder than historic norms and those where it would hotter should come to average each other out. But in this case, the number of years proposed as a basis for calculating the new average is only two. With such a small sample set, we think there is a risk that the replacement figure may not be robust.

For gas, we agree that option 2 strikes the right balance for calculating the TDCV, relying on the two most recent years of consumption, bearing in mind the trend for falling consumption levels. For electricity, given the absence of weather correction, we would be more comfortable if a longer time period was used to create the average, particularly in relation to consumers in Profile Class 2. More broadly, we do not understand why the electricity data used is not weather corrected as we believe that this data should be available from Elexon.

2. Do you agree with our recommended framework for future revisions of the TDCVs? (Chapter 4)

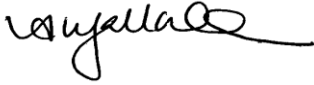
We agree with your proposal at 4.9 of your paper and consider Option B to be the best option, committing to assess domestic consumption every two years and revising TDCVs if the latest consumption data results in different TDCVs given the current rounding to the nearest 100 kWh for electricity and 500 kWh for gas.

3. Do you agree that our proposals strike an appropriate balance between having TDCVs that are representatives of current consumption and providing stability over time? (Chapter 5)

Consumer Futures

We agree with your proposals and consider that this strikes an appropriate balance between giving stability to the TDCV, but is frequent enough to be representative of current consumer consumption.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Audrey Gallacher', with a stylized flourish at the end.

Audrey Gallacher

Director of Energy