

# Energy UK response to Ofgem's proposal to revise the Typical Domestic Consumption Values for gas and electricity

April 2015

## 1. Introduction

- 1.1. Energy UK is the trade association for the energy industry. We represent over 80 members made up of generators and gas and electricity suppliers of all kinds and sizes, as well as other businesses operating in the energy industry. Together our members generate more than 90 per cent of the UK's total electricity output, supplying more than 26 million homes and investing more than £13 billion in the British economy in 2013.
- 1.2. Energy UK is pleased to respond to Ofgem's proposal to revise the Typical Domestic Consumption Values for gas and electricity. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

## 2. Energy UK's views on the proposal

- 2.1. This proposal suggests revising down Ofgem's estimates of Typical Domestic Consumption Values (TDCVs) for gas and electricity to reflect continued falls in consumption. We welcome Ofgem's decision to review and revise the TDCVs and agree to the proposal.
- 2.2. Energy UK is satisfied that the new set of figures of 12,500 KWh for gas and 3,100 KWh for electricity are a step closer to the reality of current times; however we believe that energy suppliers are better placed to explain in more details why they consider

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the new suggested figures to be appropriate and representative of typical domestic consumptions, should they wish to do so.

- 2.3. Energy UK notes that the proposed timescale will leave a three month window between the consultation outcome in late May and the implementation on September 1<sup>st</sup> 2015. We believe that any delay in the final decision would reduce the window and could lead to some risks internally for companies in terms of implementing the changes. Ofgem needs to keep this in mind.
- 2.4. Energy UK also wishes to reiterate its view that Ofgem should consider using a single set of indicative consumption values in its work relating to estimated annual domestic energy bills. Currently, the medium TDCV which is based on median consumption is, as rightly explained in your letter, widely used in the energy market and is the industry standard annual consumption value; on the other hand, Ofgem's SMI<sup>1</sup>, meant to represent an average bill, is based on a different set of data and is an average. In light of the new TDCVs, Energy UK would welcome Ofgem using this review to inform the consumption assumptions used in the SMI and consider the merit of using these updated TDCVs in the SMI.

### 3. Conclusion

Energy UK welcomes the review of the TDCVs and agrees that they need to be aligned with the latest data available to better reflect reality. Energy UK would like Ofgem to use the outcome of this review to inform the consumption assumptions used in the SMI.

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<sup>1</sup> Ofgem uses two different set of data and two different calculations in the TDCV and the SMI, see Ofgem's letter for further details: <https://www.ofgem.gov.uk/ofgem-publications/94105/tdcv2015openletter-pdf>. For the TDCV, the median is used rather than the average as it is the case in the SMI.

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