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For the attention of Sophie Adams

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Sent by email only
Sophie.Adams@ofgem.gov.uk

OVO's response to the Ofgem open letter on TDCVs

Dear Sophie

Following on from our call on Wednesday, I am writing in response to the letter Ofgem issued on 22nd June regarding the proposal to update the Typical Domestic Consumption Values for electricity and gas.

As discussed, OVO is broadly supportive of the updates proposed. However we do have one particular concern regarding the new peak/off peak split that Ofgem has proposed in its letter. Looking at OVO's own Profile class 2 data we can see that the newly proposed splits do indeed seem appropriate for customers with a restricted meter but where they are not using it in the intended way. However, we know that there are approximately 1.5m homes in GB where customers still have working storage heaters and our evidence suggests that for these customers this consumption split would be wildly inaccurate. As discussed already, it is difficult to evidence this with significant amounts of data as it is not available at this level of granularity. However for customers with storage heaters where we do have actual data, this suggests a consumption split of 37.4/62.6 (Peak/Off-Peak).

As I mentioned, earlier this year OVO acquired VCharge, a US energy technology company, which has developed a proprietary technology platform to balance grid requirements with individual user requirements. VCharge heating controls are fitted to new or existing electric storage heaters and can be controlled via a smartphone. When coupled with a new smart tariff, residents experience dramatically improved comfort, lower bills and have control over their heating systems for the first time, while simultaneously supporting the widespread adoption of renewable energy by providing valuable grid balancing services.

The impact of this proposal, were OVO and VCharge forced to use the newly proposed splits, is that potential VCharge customers would see forecasted costs significantly higher than reality which is therefore likely to negatively impact switching. This in turn would mean more fuel poor, potentially vulnerable, customers would be unable to take

advantage of this innovative technology. With this in mind, and the comment included in the letter regarding customer's using more accurate consumption data where available, we intend to use the more accurate peak/off peak split data we hold to forecast potential VCharge customer's annual spend. We believe this will result in the right outcome for customers and is in line with Ofgem's intent to ensure that customers can make informed choices. Further to our discussion I do not believe this poses an issue but please let me know if you feel anything here is different to that which we discussed.

Furthermore, I just wanted to mention that the split does not only affect OVO Energy; Given that VCharge is supplier-agnostic, it affects any energy supplier with whom VCharge collaborates. This is very topical in Scotland in that VCharge commenced this week a Scottish Government funded project in Greater Glasgow to install in up to 60 tower blocks with electric storage heaters (approximately 5,700 consumers). In this case, OVO Energy will not be the supplier but the supplier partnering with VCharge will no doubt be facing the same dilemma - and have the same desire to use a split that reflects actual consumption on the 1.5m storage heating households.

I'd like to take this opportunity to thank you again for your time on the call on Wednesday and we would be more than happy to discuss further/in more detail should you wish to do so.

Kind regards,

Caroline Bradford
Head of Regulation and Compliance