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13<sup>th</sup> July 2017

**Ofgem's Proposal to revise the Typical Domestic Consumption Values for Gas and Electricity**

Dear Sophie,

Wales & West Utilities is a licensed Gas Distribution Network (GDN) providing gas transportation services for all major shippers in the UK. We cover 1/6<sup>th</sup> of the UK land mass and transport gas to over 2.5 million supply points.

Our response is centered around four key points that relate purely on the decision to move the medium TDCV for gas to 12,000kWh.

**1. Does 12,000kWh look reflective of the WWU customer?**

Typical Domestic Consumption Values (TDCVs) are industry standard values for the annual domestic gas used by a typical consumer. Currently the TDCV in use by Ofgem is 12,500kWh which WWU considered was reflective of its network at that time. For WWU the average domestic consumption varies across the network (Wales North being the highest and South West being the lowest) with all regions having a downward trend over time. The current average TDCV for the WWU network is 12,051kwh:

As at 1 April	Number of Customers	Nominated AQ (kwh)	Average AQ (kWh)
<b>2012</b>	2,437,947	34,175,461,398	14,018
<b>2013</b>	2,451,353	31,761,346,414	12,957
<b>2014</b>	2,461,438	31,881,337,012	12,952
<b>2015</b>	2,468,898	31,066,304,075	12,583
<b>2016</b>	2,480,243	30,584,634,421	12,331
<b>2017</b>	2,522,810	30,402,096,034	12,051

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It should be noted that our analyses makes the simplifying assumption that all supply points which are below 73,200 kwh are to be Domestic. This is because the shipper provided market sector code for Domestic is considered inaccurate and so using the smallest load band remains a close proxy. This is consistent across all Gas Distribution Networks (GDNs).

As this analyses shows, WWU agrees that 12,000 appears a sensible revision to the TDCV.

## 2. Is this measure a 'Typical' user

In your open letter you confirm:

*"The TDCVs represent annual consumption by a typical household; however, there are significant differences in energy use between households depending on the region of the country, number of occupants, the type and age of the property. For this reason, we recommend that where possible consumers use their own consumption figures for the purposes of comparing suppliers or estimating their bills."*

It is important to maintain this message, especially when making comparisons between networks. This is because a region with a higher average AQ is likely to have a lower average price, therefore all things being equal would have the same average cost for an average consumer within their networks when compared to another, but appear lower cost when compared against the same AQ (the TDCV). This may be misleading for stakeholders. Analyses performed as part of the RIIO GD1 year two report highlight that a significant variation does exist between the north and the south of the UK therefore we agree with the assertion that average TDCV will vary by region.

## 3. Timing and its impact on the Fuel Poor Voucher

The open letter intends to implement the new revised TDCV in September 2017. We would prefer any TDCV revisions to occur annually aligned to the timetable of network charges. This would see revisions effective 1<sup>st</sup> April. The benefit being that the Fuel Poor Voucher calculation already varies throughout the year and this adds an additional change. Under the September timing the same property would receive a different voucher in the following periods:

Year 2017	Prices used	WACC used	TDCV	Load factor	Voucher Value
January to March	2016/17 prices	1 <sup>st</sup> April 2016	12,500	1 Oct 16	£2,564
April to August	2017/18 prices	1 <sup>st</sup> April 2017	12,500	1 Oct 16	£2,485
September to October	2017/18 prices	1 <sup>st</sup> April 2017	12,000	1 Oct 16	£2,380
October to December	2017/18 prices	1 <sup>st</sup> April 2017	12,000	1 Oct 17	TBC as Load factors not confirmed

Therefore similar households may receive varying prices which appear inconsistent.

## 4. Further consequences on Fuel Poor voucher scheme

WWU remains of the view that the scheme should be self financing (that is that existing customers are not made worse off by the presence of a new fuel poor connection). However at its inception the TDCV in use was 19,000kwh. The revised 12,000kwh is a marked difference over a short space of time. Whilst network averages may reflect this trend (as set out in item 1 above) consideration should be given to analysing whether a fuel poor voucher recipient is

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trending on this average. WWU will consider how it can use its own data to arrive at the average AQ of connected fuel poor customers, however this will not meet the time scales of this open letter. Ofgem should however be mindful of the risk that if fuel poor customers are trending above the average, then the scheme will not maintain its self financing ambition and the fuel poor connectee will be required to pay a larger element of top up funding than should otherwise be required.

We would be happy to discuss any of these points in more detail should you require.

Yours sincerely,



Steve Edwards  
Director of Regulation and Commercial  
Wales & West Utilities

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