

To: Domestic electricity and gas suppliers, price comparison websites, consumer groups and other interested parties

Date: 19 April 2021

Dear Stakeholder,

Review of Typical Domestic Consumption Values for gas and electricity and Economy 7 consumption split

This letter sets out our proposal to postpone the update of the Typical Domestic Consumption Values (TDCVs) and Economy 7 consumption split. This will provide us with time to fully assess the impact of the COVID-19 pandemic on domestic consumption.

If you have feedback on these proposals, please share these with us by **17 May 2021**.

Background

The TDCVs are industry standard values for the annual gas and electricity usage of a typical domestic consumer.

They are commonly, but not exclusively, used to derive the typical bills quoted by suppliers and price comparison websites when a customer's actual annual consumption may not be known. They allow energy consumers who are unsure of their own consumption to have an indication of how much energy they might typically expect to use in a year. They are also used by industry, government and media to provide a common basis for comparing energy prices across suppliers, regions and over time.

In 2013, we put a framework in place for future updates to the TDCVs.¹ Following that review, we stated that we would assess the domestic consumption every two years, and revise the TDCVs if the latest consumption data results in materially different values.² We calculate the typical low, medium and high TDCVs for gas and electricity using the two most recent years of the meter level data, which underlies the Department for Business, Energy and Industrial Strategy's (BEIS) sub-national energy consumption statistics.³ The most recently available data covers February 2018 – January 2020 for electricity and Mid-May 2018 – Mid-May 2020 for gas.

¹ 2013 Decision for TDCVs:

https://www.ofgem.gov.uk/sites/default/files/docs/2013/09/tdcv_decision_letter_final_2_1.pdf

² Material in this context means changes to the TDCVs of at least 100 kWh for electricity and 500 kWh for gas when rounded.

³ Sub-national electricity consumption data: <https://www.gov.uk/government/collections/sub-national-electricity-consumption-data>

Sub-national gas consumption data: <https://www.gov.uk/government/collections/sub-national-gas-consumption-data>

Since the implementation of regular TDCVs reviews in 2013, domestic consumption has been on a consistent decreasing trend, which may be partly explained by energy efficiency initiatives. However, early evidence suggests there has likely been an increase in domestic consumption since the beginning of the first national lockdown in March 2020 to present.⁴ There are many potential reasons for this change in consumption such as working from home, home schooling, increased cooking and increased use of home entertainment.

Our Proposal

The previous TDCV update took place in April 2020, with the next update due in April 2022. We propose to pause the TDCV update until we can fully assess the impact of the COVID-19 pandemic on domestic consumption. We consider the delay appropriate given the exceptional circumstances and uncertainty around domestic consumption. We're also aware of the administrative burden placed on industry when updating the TDCVs and want to ensure the values accurately represent 'typical' consumption before making this change.

The electricity consumption data currently available does not include any of the lockdown periods, while the gas consumption data only includes the first few weeks of the initial lockdown. We would expect the impact of this period on the annual average gas figures to be relatively small as the majority of gas consumption is during the winter period.

Consumption data which includes longer periods of lockdown (February 2020 – January 2021 for electricity and Mid-May 2020 – Mid-May 2021 for gas) will become available at the end of 2021. However, the pandemic may have a lasting impact on consumers' behaviours which could affect domestic consumption after its end. To assess whether the pandemic is a 'one-off' event or if it has structurally changed consumption, we may require post-lockdown consumption data.

Implications

The current TDCVs will continue to be used in our reports and publications, including our retail indicators, to communicate energy prices for a 'typical' dual fuel consumer.⁵ We would request that industry, price comparison websites and other stakeholders also continue to use these TDCVs.

Next Steps

We will consider any feedback from stakeholders and aim to announce a final decision on delaying the TDCVs in June 2021.

Please ensure that any information, which is relevant to our decision, is reported to us before **17 May 2021** by contacting the Retail Monitoring Team at MarketMonitoring@ofgem.gov.uk.

Yours faithfully,

Amy O'Mahoney
Head of Monitoring and Evaluation

⁴ Analysis of Q2 - Q4 2020 Elexon NHH data (based on Annualised Advances and Estimations of Annual Consumption).

⁵ Medium TDCVs are currently 12000 kWh for gas, 2900 kWh for electricity profile class 1 and 4200 kWh for electricity profile class 2.