

Dear Sir/Madam,

Direction to use an alternative Assumed Consumption Split in respect of each Economy 7 tariff: SLC 28A (*Prepayment Charge Restriction*)

This letter sets out the decision of the Gas and Electricity Markets Authority (the "**Authority**") to direct suppliers to use a new Assumed Consumption Split between off-peak and peak consumption of 42% to 58% for assessing the compliance of their Economy 7 tariffs with the prepayment price cap effective from 1 October 2017 and shall remain in force unless and until it is revoked or varied in writing by the Authority.

The direction, issued pursuant to standard condition 28A.27 of the Licensee's electricity supply licence, is attached and will be published on Ofgem's website.

This letter constitutes the notice under section 49A of the Electricity Act 1989 of the reasons for the Authority's decision to issue the attached direction. Capitalised terms used in this letter, which are not defined herein, have the meaning given to them in the standard conditions of electricity supply licences.

Background to, and reasons for, the direction

From 1 October 2017 the level of the Prepayment Charge Restriction (or prepayment price cap) will be revised according to the methodology set out in standard condition 28A ("**SLC 28A**") of gas and electricity supply licences.

For Multi-Register Prepayment Tariffs (electricity only), compliance will be assessed against the Relevant Maximum Charge for Economy 7 Metering Arrangements. The maximum charge in a given Charge Restriction Period will be calculated using an Assumed Consumption Split, ie the assumed consumption split between each rate (ie peak and off-peak) supported by the relevant Metering Arrangement.

Paragraph 28A.25 of standard condition 28A sets out that an Assumed Consumption Split between off-peak and peak consumption of 38% to 62% will be used for all Economy 7 tariffs, unless the Authority directs suppliers to use an alternative split should evidence indicate that it would be more appropriate.

As part of our ongoing work to update the Typical Domestic Consumption Values (TDCV), one area that we have considered is the proportion of Economy 7 customers' consumption which takes place in peak and off-peak periods. As set out in our TDCV open letter¹ we have estimated using updated information that the average consumption split for Economy 7 meters between off-peak and peak consumption is 42% to 58%.

¹ https://www.ofgem.gov.uk/system/files/docs/2017/06/tdcvs_2017_open_letter_0.pdf

We have considered responses to our open letter. We have concluded that it necessary to update the Assumed Consumption Split for Economy 7 meters so that the split reflects a more up-to-date assessment of consumers' distribution of daily energy consumption.

The Authority's Decision

The Authority's Decision is to direct suppliers to use a new Assumed Consumption Split between off-peak and peak consumption of 42% to 58% for assessing the compliance of their Economy 7 tariffs with the prepayment price cap effective from 1 October 2017 and shall remain in force unless and until it is revoked or varied in writing by the Authority.

If you would like to discuss any aspects of this letter, please contact Moritz Weber at PPM.PriceCap@ofgem.gov.uk.

Yours faithfully

Anthony Pygram
Partner, Consumers & Competition

ATTACHMENT: DIRECTION

Direction issued to use an alternative Assumed Consumption Split for Economy 7 meters: SLC 28A (*Prepayment Charge Restriction*)

1. This direction is issued by the Gas and Electricity Markets Authority (the "**Authority**") pursuant to standard licence condition ("**SLC**") 28A.27 of the electricity supply licence granted, or treated as granted, to the Licensee under section 6(1)(d) of the Electricity Act 1989 (the "**Licence**").
2. Capitalised terms used in this direction which are not defined herein shall have the meaning given to them in the Licence.
3. SLC 28A.27 of the Licence provides that the Authority may issue a direction to the Licensee to use an alternative Assumed Consumption Split in relation to one or more Multi-Register Prepayment Tariffs.
4. The reasons for the Authority's decision to issue this direction are set out in the accompany letter to the Licensee.
5. The Authority hereby directs that in respect of each **Economy 7 Tariff**, off-peak and peak consumption levels of 42% to 58%, respectively, shall be the Assumed Consumption Split.
6. This direction shall take effect from and including 1 October 2017 and shall remain in force unless and until it is revoked or varied in writing by the Authority.

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