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22nd April 2015

Dear Neil

Review of Typical Domestic Consumption values

This is the response to the above document (released on 24 March) and the proposal to reduce the typical domestic consumption values used in the retail energy market.

Overall, we do not have any significant issues with the values proposed. They are not significantly disproportionate to our own calculations. The figure for PC2 seems a little low, but given demand destruction we understand the figure may be appropriate.

We consider there are occasions where a comparison against the consumption of our own customer base would be more appropriate – for price change for example. Customers should be encouraged to use their own consumption in order to understand the market from their own point of view. Averages are often misleading.

We are disappointed to note that Ofgem have still not provided a percentage split between day and night consumption for Profile Class 2 electricity customers. npower has made this proposal within its two previous responses to similar consultations (on 24 September 2010 and 29 July 2013) prompting your comment on the latter occasion that such a split would be needed to calculate the TCR for time of use tariffs and your intention expressed to work with the industry “in the coming year to develop the methodology”. (1)

We also wish to reiterate a point we made in our previous response regarding the Supply Market Indicator (SMI). We still feel that the new TDVCs should be used to calculate the SMI snapshot of margins rather than just inform the assumptions behind the consumptions used within the SMI.

We may have difficulty making all the necessary changes with only a 3 month lead time and would request that the implementation date is set for the 1st October or 4 months from the date of your final decision.

In summary, we are generally supportive of the proposed revisions to the level of TDCV. This is subject to the comments above, particularly on the issue of a day/night split in relation to E7 customers.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Louisa Stuart-Smith', written in a cursive style.

Louisa Stuart-Smith
Regulation

(1) – Source: Ofgem response to consultations on the 2013 review (paragraph (4) – page 5)