

Citizens Advice consultation response to Ofgem's energy price cap: benchmark consumption review

Part A questions

1. Do you agree that benchmark consumption in the price cap should be updated?

We acknowledge that the TDCV data from 2017 to 2023 shows a decrease in energy consumption, which would justify updating benchmark consumption in the price cap. However, we note that there may be limitations to the TDCV approach, and the reasons for the differences between mean and median values should be explored. We look forward to engaging at the next TDCV review.

2. Do you agree with our minded-to proposal to update the benchmark consumption level using the latest TDCV?

We agree with the minded-to proposal with some caveats. TDCV is based on median consumption. Ofgem notes that using median over mean confers a benefit, on average, to suppliers since measures of mean consumption have historically remained above median consumption. Ofgem notes that this was taken into account when setting the headroom allowance and that in the absence of this benefit it “might” have considered setting a higher headroom allowance.

The price cap has had numerous methodological changes since being first implemented, generally to increase allowances. As headroom was designed to reflect ‘...pressures not captured in the efficient benchmark or other mechanisms inherent in the cap design’ and ‘any remaining unidentified errors and uncertainties’, it is likely that assumptions underpinning headroom have been impacted by some of these changes. For example, allowances for backwardation clearly address an unidentified uncertainty. However, headroom allowances have not been revised like it is suggested could be the case here (if option 3 was adopted).

Ofgem should make clear how it assesses impact on headroom allowances when making methodological changes and ensure this is done in a consistent fashion.

3. What are your views on the alternative approach of using 2023 DESNZ median consumption data?

The alternative approach using 2023 DESNZ median consumption data (option 2) would lead to a significantly higher impact on consumer bills. By contrast, using a mean approach with 2023 DESNZ (option 3) would lead to a much smaller increase on consumer bills. Ofgem notes that moving to a mean approach may have wider implications for other elements of the price cap framework, including whether the existing headroom allowance remains appropriate under this approach. If Ofgem would consider making adjustments to headroom allowance because the change to the mean approach generates a very low increase in consumer bills, it is consistent that they should also make adjustments to the headroom allowance because a change in approach generates a very high increase in consumer bills. Moving away from TDCV is a significant change in itself.

4. What are your views on the option of using 2023 DESNZ mean consumption data, including any implications for the headroom allowance or other elements of the cap?

No response.

Part B questions

1. Do you consider that there is a case for introducing payment method specific benchmark consumption levels within the price cap?

We recognise the negative impact that the current approach could be having on suppliers who specialise in prepayment. This is likely to reduce competition in prepay tariffs, and make it harder for these suppliers to offer appropriate support and a quality service for their customers.

We believe that there should be a high-bar for introducing payment method specific benchmark consumption levels within the price cap, since it could lead to negative distributional impacts for vulnerable or low-income consumers. We think Ofgem should explore alternative approaches, for instance, by using a reconciliation mechanism like that used for standing charges.¹ We note that if all fixed costs were allocated to standing charges in the price cap, rather than some being allocated to the unit rate, then these costs would already be shared between suppliers in this way.

¹ [Decision on adjusting standing charges for Prepayment Customers](#). Ofgem. February 2024.

2. We have considered a proposed method of calculating payment-specific benchmarks using the 2023 TDCVs weighted by average consumption data from the Debt-related Costs RFI, are there alternative data sources or methodologies you believe we should consider?

No response.

3. What are your views on the potential distributional and operational impacts of introducing payment-specific benchmarks?

Citizens Advice have concerns over the distributional impacts of introducing payment-specific benchmarks, specifically, that doing so would result in higher cap levels for some consumers, particularly those on pre-payment metres (PPM). PPM users often face affordability issues. In 2023, Citizens Advice found that 1 in 3 people on PPMs surveyed had disconnected at least once in the past year because they could not afford to top up.² The number of people that Citizens Advice have helped so far this year who can't afford to top up their PPM is 677% higher than the same period pre-pandemic.³ Self-disconnections could be contributing to the observed lower consumption levels for PPM customers. Increasing the unit rate for PPM users could put further pressure on self-disconnections.

Ofgem previously consulted on standing charges for PPM customers and found that the PPM customer cohort has the highest proportion of disabled, chronically sick and low-income customers of any payment method.⁴ Ofgem then took the decision to levelise standing charges for PPM customers so they did not face higher bills relative to direct debit users, whilst also introducing a levelisation reconciliation mechanism to maintain competition and support supplier diversity and stability.⁵ We suggest a similar proposal is considered instead of introducing payment method specific benchmark consumption levels within the price cap.

² [Kept in the dark The urgent need for action on prepayment meters](#). Citizens Advice. January 2023.

³ [Cost-of-living data trends](#). Citizens Advice. 2025.

⁴ [Decision on adjusting standing charges for Prepayment Customers](#). Ofgem. February 2024.

⁵ [Decision on adjusting standing charges for Prepayment Customers](#). Ofgem. February 2024.

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