



Department  
of Energy &  
Climate Change

# **Factsheet:**

## **Energy prices and bills**

September 2013

## Contents

<b>Price fixing .....</b>	<b>3</b>
<b>What is government doing to help consumers?.....</b>	<b>4</b>
<b>Detail on energy prices/bills.....</b>	<b>5</b>
○ <b>Government policy costs .....</b>	<b>5</b>

*“Everyone wants to help with the cost of rising bills but we need to be sensible.*

*“Government price fixing jeopardises investment in new power stations, making power cuts a real possibility*

*“It also puts at risk Britain’s transition to a clean, green, low carbon future.*

*“The best way to keep everyone’s bills down is to help people to save energy, ensure fair tariffs and encourage competition. That is exactly what the Government is doing”*

*Edward Davey, Secretary of State, Energy & Climate Change; 25 September 2013.*

## Price fixing

- A large proportion of our existing capacity has to close by the end of the decade – 19GW or around 18 large power stations- – and must be replaced. Without this investment there is an increased risk of blackouts and price spikes and makes it difficult to reach low carbon energy targets.
  - Energy companies would significantly increase their assessment of political risk in the UK. This could put prices up both in the near term and the longer term.
  - Higher prices before the freeze comes in as companies need to ensure they can maintain viability for its possible duration and be robust to potential rises in their costs over the period.
- And suppliers could need to raise their prices significantly at the end of the price freeze to compensate for lost revenue during the freeze period.
- Competition in the market could be reduced, as small suppliers will find it more difficult to manage unpredictable hikes in wholesale prices or increases to network and distribution charges if they are unable to increase their prices.

# What is government doing to help consumers?

- 230,000 homes will be warmer this year by getting energy efficiency measures installed under the Energy Company Obligation.
- 2 million households will get help under the Warm Home Discount – including well over a million of the poorest pensioners who will receive £135 off their electricity bill.
- Between £100 and £300 is available tax-free to help pay your heating bills if you were born on or before 5 January 1952 under the Winter Fuel Payment.
- Cold Weather Payments will remain at £25 per payment for the duration of this Parliament. In 2012/13 5.8 million Cold Weather Payments were made at a cost of over £146.1 million.
- We are changing energy bills to make them simpler, clearer and fairer, helping the 84% that don't switch and could be missing out on savings of up to £158. This includes limiting the bamboozling array of tariffs on offer.
- A £900,000 Big Energy Saving Network will help the most vulnerable get the best deal for them and access to available help. Training 500 volunteers to get help to those who need it most.
- We are ensuring consumers are directly compensated if energy companies misbehave and cracking down on any rogue switching sites.
- We are working with John Lewis to pioneer a new energy efficiency labelling scheme to help people save on the lifetime energy costs of domestic products.
- We are acting to increase competition in the market. We are working with Ofgem to make the retail market simpler and clearer for customers.
- We are also bringing in key changes to the wholesale market to boost liquidity. A liquid market facilitates market entry and competition by offering a reliable route to market.

## Detail on energy prices/bills

- Retail prices: households already pay the lowest gas prices and the fifth lowest electricity prices in the EU-15.
- Average household dual fuel bills are estimated to have increased by around 13% in real terms between 2010 and 2012. The main drivers of this increase are:
  - Wholesale energy costs, estimated to have contributed at least 60% of the increase in household energy bills over this period;
  - Network costs, supplier operating costs and margins, estimated to have contributed around 25% of the increase;
  - The costs of energy and climate change policies, estimated to have contributed around 15% of the increase. This accounts for the cost of the Warm Home Discount, but not the rebates it delivers to eligible consumers. This also does not take account of the energy bills savings from energy efficiency policies.
- **Government policy costs:**

In 2013, Government policies to achieve energy savings and incentivise the shift from fossil fuels to alternatives are estimated to account for around 9% of household energy bills. Accounting for efficiency savings, household energy bills in 2013 are expected to be £65 (5%) lower on average than they would have been if these policies were never introduced.

