

Variation in tariff types and energy bills

Background

The amount of money a household spends on their domestic gas and electricity bills is influenced by a number of factors. This analysis explores some of the variation around average household energy bills due to different tariff types. The main publication within DECC presenting domestic energy prices data is Quarterly Energy Prices (QEP), a National Statistics publication. The tables published within QEP currently present the average annual bills for domestic gas and electricity (with economy 7 separately¹). Tables are also produced on customer numbers. Both the bills and customer number tables provide breakdowns by various factors including region, home supplier/non-home supplier² and payment type (standard credit, direct debit and prepayment). The average bills are presented as an average across all tariffs, with no breakdown by tariff type.

Data on all gas and electricity tariffs are received directly from the main energy companies that supply electricity and gas across the UK via a quarterly survey. This data allows us to calculate the average gas and electricity bills (annually) and customer numbers (quarterly). The survey covers over 90% of all domestic energy users. DECC calculates bills as an average of the weighted prices over the whole year combined with standard consumption estimates: 3,800 kWh for standard electricity; 6,000 kWh for Economy 7 electricity (of which 3,000 kWh are assumed to be day time and 3,000 kWh at night); and 15,000 kWh for gas. Latest estimates for 2014 domestic gas and electricity bills, published in QEP, indicate that an average annual gas bill was £752 in Great Britain, and an average annual standard electricity bill was £592³ in the United Kingdom.

Variation in Tariffs – proportion of customers on each tariff type

Energy companies offer many different tariffs in order to meet various different customer needs. Tariffs can be considered as: Online, Green, Social, Fixed, Standard, Dual Fuel or Other depending on the tariff description. A tariff may also overlap multiple types. This article presents estimates for the percentage of customers on different categories of tariff types, with an indication of the average associated bill for certain tariff types in 2014. This analysis has focused on three specific tariff types standard, online and fixed. All other tariffs have been grouped together into an 'other' category for the purpose of the current analysis.

A number of assumptions have been applied in order to undertake the analysis. Broadly speaking, the definition of each tariff type used in this analysis is listed below. We welcome comments on the definitions used.

- **Standard:** The basic energy deal from a supplier if a customer does not sign up to any other specific tariff.
- **Online:** Customers manage their account and supply meter readings online.
- **Fixed:** The price a customer pays for fuel will not change for a set amount of time, regardless of price movements in the market.
- **Fixed Online:** A combination of the online and fixed tariffs.

Throughout this analysis it should be noted that not all tariffs are consistently open to all customers. Tariffs available to a consumer vary by region, payment method and meter type. Many fixed and online tariffs will only be open to new customers for a limited amount of time before a newer version is introduced.

¹ Economy 7 electricity tariffs have a separate unit cost for the night and day and are designed for use with night storage heaters. By contrast, standard electricity tariffs have no distinction in price between night and day. The majority (86%) of all electricity customers are on standard electricity tariffs. Throughout the analysis electricity data corresponds to standard electricity only.

² For Gas, home supplier denotes British Gas Trading. For electricity, home supplier denotes the former public electricity suppliers within their own distribution area or that of their parent company.

³ Including a £12 rebate in quarter 4 of 2014 for England, Scotland and Wales.

Looking at the different tariff types, the majority of gas and electricity customers are on standard tariffs (66% for gas and 67% for standard electricity), despite the wide range of tariffs available on the market (see table 1).

Table 1: The percentage of gas and standard electricity customers on each tariff type.

	Standard	Fixed	Online	Fixed Online	Other
Gas (GB) ⁴	66%	22%	5%	6%	1%
Standard Electricity (UK)	68%	20%	6%	5%	2%

Variation in Tariffs – Method of Payment

DECC currently publishes in QEP the percentage of gas and electricity customers on each payment method, across Great Britain and the UK, on a quarterly basis. Around 57 per cent of all gas customers and 56 per cent of all electricity customers pay by direct debit, with prepayment holding the lowest proportion of customers. Figures for 2014 are shown in table 2 below:

Table 2: The percentage of gas and standard electricity customers in Great Britain and the United Kingdom, split by payment method

	Credit	Direct Debit	Pre-payment
Gas (GB)	28%	57%	15%
Standard Electricity (UK)	27%	56%	17%

The method of payment varies when broken down by tariff type. Looking at the four main categories (excluding 'other' tariffs), direct debit has the highest proportion of customers paying in this way for all tariff types and for both gas and standard electricity. However, the proportion of customers paying by direct debit ranges from just over 40% within the standard tariffs; to almost 100% within the fixed online tariffs (see table 3 for gas and table 4 for standard electricity). Customers on fixed tariffs and online tariffs have similar patterns in their choice of payment method with around four fifths paying by direct debit.

Table 3: The percentage of gas customers in Great Britain, split by payment method and Tariff type

	Credit	Direct Debit	Pre-payment
Standard	34%	44%	22%
Fixed	19%	79%	2%
Online	14%	86%	0%
Fixed Online	2%	98%	0%
Other	49%	41%	10%
Overall	28%	57%	15%

⁴ Competition is still limited in scope for domestic customers in Northern Ireland, and so is excluded for analysis of gas tariffs.

Table 4: The percentage of standard electricity customers in United Kingdom, split by payment method and tariff type

	Credit	Direct Debit	Pre-payment
Standard	33%	43%	24%
Fixed	17%	80%	2%
Online	15%	85%	0%
Fixed Online	3%	97%	0%
Other	57%	32%	12%
Overall	27%	56%	17%

Variation in Tariffs – average bills by tariff type and payment method

DECC currently publishes annual average domestic gas and electricity bills⁵ for Great Britain and the UK. Bills are calculated using an assumed consumption of 15,000 kWh for gas and 3,800 kWh for electricity. Latest estimates for 2014 for domestic gas is £752 and for standard electricity bills is £592 (including a £12 rebate for Great Britain) as published in QEP. These annual bills show what consumers would have paid on average and can be used to track price movements over time.

In QEP the average annual bills are also calculated for each method of payment. In 2014 the average annual bill for those paying by standard credit was £796 for gas and £619⁶ for electricity. Those using direct debit had average annual bills of £721 for gas and £570 for electricity; and £793 if using prepayment for gas and £623 for electricity.

This analysis has taken each of the tariff types, as outlined earlier in the article, and calculated the average associated annual bills broken down by the payment method. It should be noted that some bill estimates are representative of a relatively small number of customers on a relatively small number of tariffs.

Standard tariffs overall have the highest average gas bill at £777 and fixed online tariffs the lowest at £646. Looking at the payment methods within tariff type, direct debit has consistently lower average annual bills (see table 5).

Table 5: Average 2014 domestic gas bills by tariff type⁷, for Great Britain

	Credit	Direct Debit	Pre-payment	Overall
Standard	803	751	792	777
Fixed	776	694	829	712
Online	782	722	757	731
Fixed Online	699	645	-	646
Other	741	682	742	717
Overall	796	721	793	752

For standard electricity, the average annual bill is lowest for fixed online tariffs overall. On this tariff type, the average annual bill is £590 for those paying by standard credit, and £540 for those paying by direct debit. On this tariff type, there are no pre-payment customers (See table 6).

⁵ Bills reflect the prices of all suppliers and include standing charges. The bills shown relate to the total bill including VAT in cash terms received during the calendar year, for the payment type shown, including all tariff changes and rebates. Averages are weighted by the number of domestic customers.

⁶ All average annual electricity bills include a £12 rebate for customers in Great Britain in 2014 for standard electricity.

⁷ The average bill for each tariff type reflects the prices for all tariffs with customers in 2014; some of these tariffs will be historical legacy tariffs that are no-longer available to new customers. Average 2014 bills are therefore not necessarily reflective of current bills on the market.

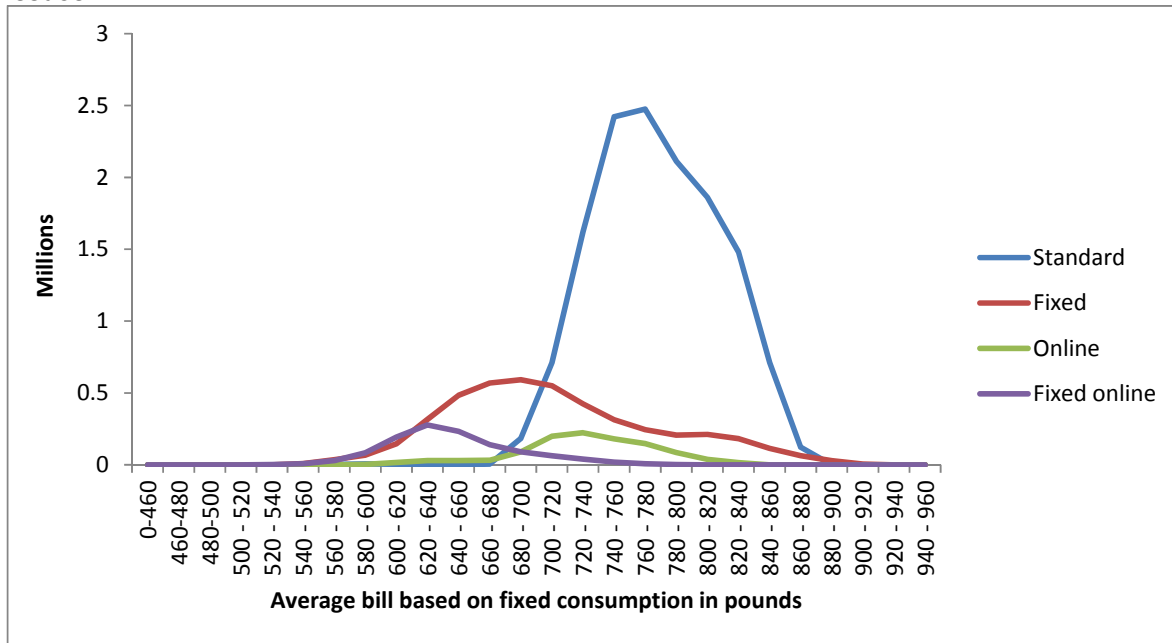
Table 6: Average 2014 domestic standard electricity bills by tariff type⁵, for the United Kingdom⁷

	Credit	Direct Debit	Pre-payment	Overall
Other	620	567	629	605
Standard	625	587	623	608
Online	623	585	625	591
Fixed	578	543	603	550
Fixed Online	590	540	-	541
Overall	619	570	623	592

Distribution of annual bills by tariff types for gas and standard electricity

Gas

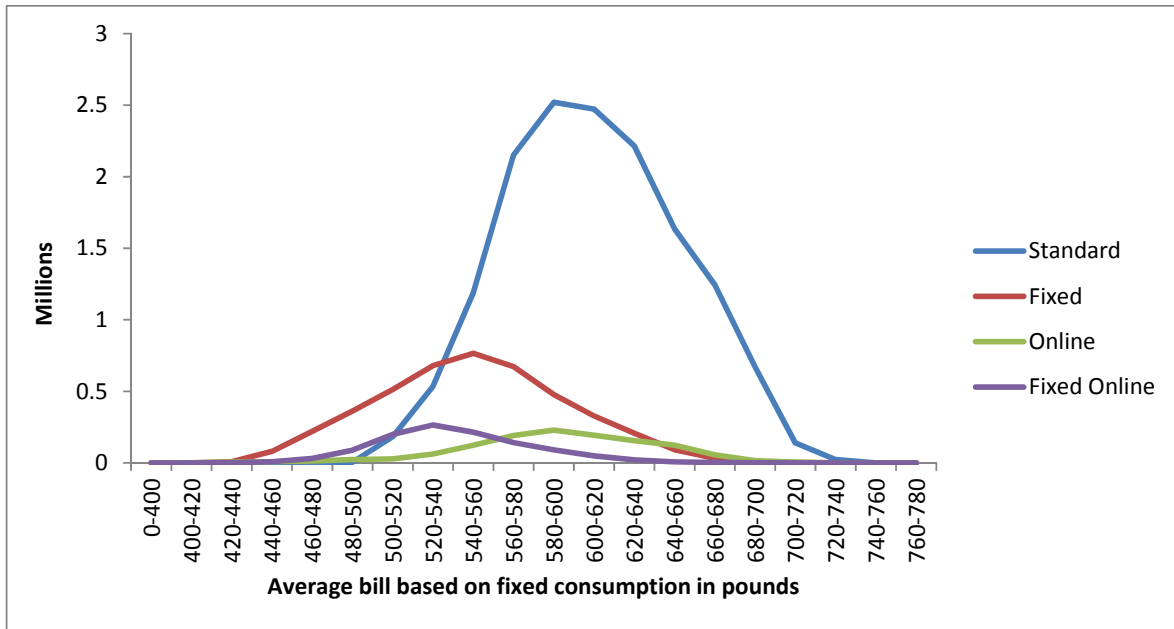
The graph below shows the number of customers and the annual gas bills by each tariff type. The annual bill costs are calculated based on an average consumption of 15,000 kWh for gas. A moving average has been applied to both the gas and the electricity series to prevent disclosure issues.



Special feature – Variation in tariff types and energy bills

Electricity

The graph below shows the number of customers and the annual standard electricity bills by each tariff type. The annual bill costs are calculated based on an average consumption of 3,800 kWh for gas.



User feedback

Please send any comments or queries regarding this analysis to Helen Lucas using the contact details below. We welcome all feedback.

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