

Competition in Britain's energy market has resulted in some of the lowest energy prices in Western Europe. Britain has the cheapest gas and fourth-cheapest electricity, according to Government statistics.

Energy costs

- ▶ Prices that consumers pay are affected by the wholesale price of energy, which is the price companies pay to buy the gas or electricity they sell on to the end user. Britain is becoming more reliant on gas from abroad and global energy prices have been rising and can be volatile.
- ▶ To prevent widely fluctuating prices energy companies often buy energy in advance. This is known as hedging and results in smoothing out prices for consumers over time so prices don't go up and down frequently.
- ▶ About half of the average energy bill is made up of a range of other costs, including charges for energy efficiency schemes, environmental and social obligations, transmission and meters – which are not controlled by energy suppliers and are expected to rise.
- ▶ Despite an upwards trend in energy costs, bills need not necessarily rise. People who install cavity wall and loft insulation can help keep their bills down by as much as £160 a year if both measures are fitted. (Source: Energy Saving Trust, Dec 2011)

Energy efficiency and environmental obligations

- ▶ The regulator has estimated that the Carbon Emissions Reduction Target costs approximately £26 per fuel per year, the Community Energy Saving Programme around £1 per fuel, The Renewables Obligation costs approximately £21 of your electricity bill, and Feed-in-Tariffs are less than £1 out of your electricity bill. (Source: Ofgem, Jul 2012)

Help for the vulnerable

- ▶ Every year gas and electricity companies help customers in difficulty, especially the elderly and those on key benefits, through a range of different initiatives including free cavity wall and loft insulation, access to special trust funds and a priority register for people with physical disabilities.
- ▶ Under the Warm Home Discount initiative, energy companies will spend £275 million in 2012-13, increasing to £310 million by 2014-15 and amounting to about £1.1 billion over four years. Thus money goes to help the most vulnerable customers.

Explaining bills

- ▶ There can be a lot of information on bills, much of which is required by the regulator, including information on the customer's consumption, comparisons with the previous year, details of any discounts and phone numbers of Consumer Direct and the Energy Ombudsman.
- ▶ Energy companies are working to make bills easier to understand and Energy UK has developed an interactive bill that explains energy terms and assists you in comparing tariffs to find the best deal, which is available on our website.

Investment

- ▶ Companies need to make a profit in order to attract the huge investment needed to keep the lights on. The regulator's data shows only about £50 on an average bill of £1300 per year is actually profit. That's about £4 a month, or £1 a week and is less than 5% of the average bill. It is similar to other sectors, like supermarkets and telecoms.
- ▶ Britain's energy market has already delivered over £10 billion of investment in new facilities to import energy. This gives Britain a very diverse mix of gas sources, ranging from Liquefied Natural Gas terminals which can import gas from around the world, to pipelines which connect us to Norway and Europe.
- ▶ According to Ernst & Young up to £250 billion of further investment may be required over the next 15 years. (Source: Ernst & Young, Jul 2012)
- ▶ Evidence does not support the suggestion that prices rise faster than they fall, in response to changing energy costs. (NERA Asymmetrical Price Response in Energy Supply: A Review of Ofgem's Analysis, March 2011)

