



Retail energy price increases

Briefing sheet

Background

- ▶ Five of the Big Six energy companies have announced price increases to their standard variable tariffs (SVTs).
- ▶ These tariffs are already the most expensive and around 70% of customers across the UK with the Big Six are on SVTs.
- ▶ In March 2016, the Big Six had an 86% market share for electricity and gas customers across the UK.
- ▶ The largest price increases are to SVTs for electricity.
- ▶ 54% of Scottish households in electrically-heated homes are in fuel poverty.
- ▶ In Scotland 31% of households are fuel poor, i.e. they spend more than 10% of their income in order to maintain a satisfactory heating system.
- ▶ OFGEM has told suppliers that they should absorb the costs of wholesale price rises by buying energy in advance.

The Issue

Summary of recent price changes by the Big Six energy suppliers

	Electricity	Gas	Dual Fuel	Date
Npower	↑15%	↑4.8%	↑9.8%	16 March
E.ON	↑13.8%	↑3.8%	Not published	26 April
Scottish Power	↑10.8%	↑4.7%	↑7.8%	31 March
SSE	↑14.9%	no change	↑6.9%	28 April
EDF Energy	↑8.4%	↓5.2%	Not published	1 March
British Gas	Gas and electricity prices frozen until August			

Supplier Justification – quoted from press releases

- ▶ **Npower:** “Over the past few years, the cost of supplying energy to your home has increased, as well as the amount we need to pay towards government schemes.”
- ▶ **Scottish Power:** “Following rises in the cost of wholesale energy and government obligations, such as the Smart meter rollout, we're increasing our Standard gas and electricity prices.”
- ▶ **SSE:** “The price change reflects the increasing cost of supplying electricity, and specifically higher costs associated with delivering vital government programmes designed to upgrade Britain’s ageing energy infrastructure and help the country move towards a low carbon future.”

ENERGY PRICE ISSUES

- Price Increases
- Transparency
- Consumer Impact

5
of the Big Six have increased their standard variable tariffs

70%
of customers with the Big Six are on standard variable tariffs

31%
of Scottish households are in fuel poverty, before these changes take effect

Supplier Justification – quoted from press releases continued

- ▶ **EDF Energy:** “non-wholesale costs have risen to fund new energy infrastructure and ensure reliable supply.”
- ▶ **E.ON:** “The amount we'll charge you for paying for your energy using prepayment or Smart Pay As You Go will change from 1 April 2017. As part of this, we've also made the decision to remove some of the features and discounts from our standard variable tariff.”
- ▶ **British Gas:** is freezing its gas and electricity prices until August.

Reasons for price increases

- ▶ The justification for price increases between suppliers varies. For example increases in wholesale costs are blamed by some suppliers but not others. One supplier also blames CMA remedies for the increase in SVTs. Four out of six suppliers blame increasing costs of government schemes. However it is not clear what the real costs of these schemes to suppliers is.

Recommendations

- ▶ There must be more transparency around reasons for energy price increases, with a breakdown of additional costs.
- ▶ More warning of price increases should be given to consumers.
- ▶ More effort should be made by suppliers to moderate sharp price increases.
- ▶ Suppliers should take into account longer-term price fluctuations – while energy costs can rise in the short term, they can also fall again. Suppliers should ensure decreases are reflected in bills and not just increases.

Contact us

For further information about the Consumer Futures Unit's work please e-mail us at ConsumerFuturesUnit@cas.org.uk. More details about our work can be found at: <http://www.cas.org.uk/spotlight/consumer-futures-unit>.

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The Consumer Futures Unit seeks to put consumers at the heart of policy and regulation in the regulated industries of energy, post and water. Part of Citizens Advice Scotland, it gathers, develops and acts on evidence, advocating and empowering to improve consumer outcomes. It develops practical policy solutions that lead to consumers being informed, engaged and protected.



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