pixie energy

Local Energy Matters

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Energy price hikes and end of fixed tariffs to hit households

Households could see their energy bills rise in April as fixed-rate tariffs expire and standard variable rates are set to rise.

Once your fixed rate tariff ends, you will be automatically rolled onto your supplier's standard variable rate. As many suppliers have confirmed price increases, households could see steep bill hikes as not only will they be paying more when they're rolled onto a standard tariff, they will also be hit with the price hike.

Standard tariffs are typically the most expensive on offer and if you're with on a standard Big Six tariff it could cost you £260 more per year than if you had one of the cheapest fixed-rate deals on the market. This means getting a fixed rate could be a sensible choice whatever energy company you go with, to make sure you aren't caught out by other price rises in the near future.

If you're tariff is due to expire, it is worth checking to see if you can find a cheaper deal now, as energy switches usually take around three weeks. But bear in mind that as energy prices have been steadily rising, so the tariffs available now are likely to be more expensive than the one you signed up to previously.

There's no end of price comparison sites out there, so now might be a good time to make the most of them.

Recent price changes

	Average change	Date effective
EDF ENERGY	+1.2%	1 March
e.on	+8.8%	26 April
npower	+9.8%	16 March
SCOTTISHPOWER	+7.8%	31 March
sse	6.9%	28 April
First Utility	9.7%	1 April
The co-operative energy	5%	1 April

About energy tariffs

There are three main types of energy tariff:

- Fixed energy tariffs - This tariff type offers guaranteed rates for a fixed period. Fixed tariffs only guarantee the cost of the standing charge and unit rate of gas or electricity. This means if you increase your energy use your bill will also increase
- Pre-payment Tariffs - These tariffs are for people with prepayment meters and enable you to pay in advance for gas and electricity by topping-up your meter
- Standard variable tariffs - This is normally your supplier's default tariff. It will have variable prices that can go up and down with the market. This type of tariff is not usually the cheapest option, but it can be a good option if you don't want to be tied into a contract.

Making the switch

Comparing energy tariffs and suppliers can seem confusing. And if you've never compared gas or electricity tariffs before it may seem daunting. But it's actually quite simple and you can find big savings on your bills. Checking an energy price comparison website is a great way to shop around for your energy.

To use a price comparison website you will need:

- your name
- address
- your current supplier
- the average gas and electricity you use or your annual charges

You'll find the necessary figures on your existing bill.

Once you've put your details in, the comparison site will crunch the numbers for you and give you a series of options. In some cases the site can also kick-off the switching process for you, saving you from having to call your preferred supplier directly.

When looking to switch, bear in mind that while most variable tariffs will let you switch without a charge, some fixed-rate deals and online-only offers might charge if you leave before the end of the term.

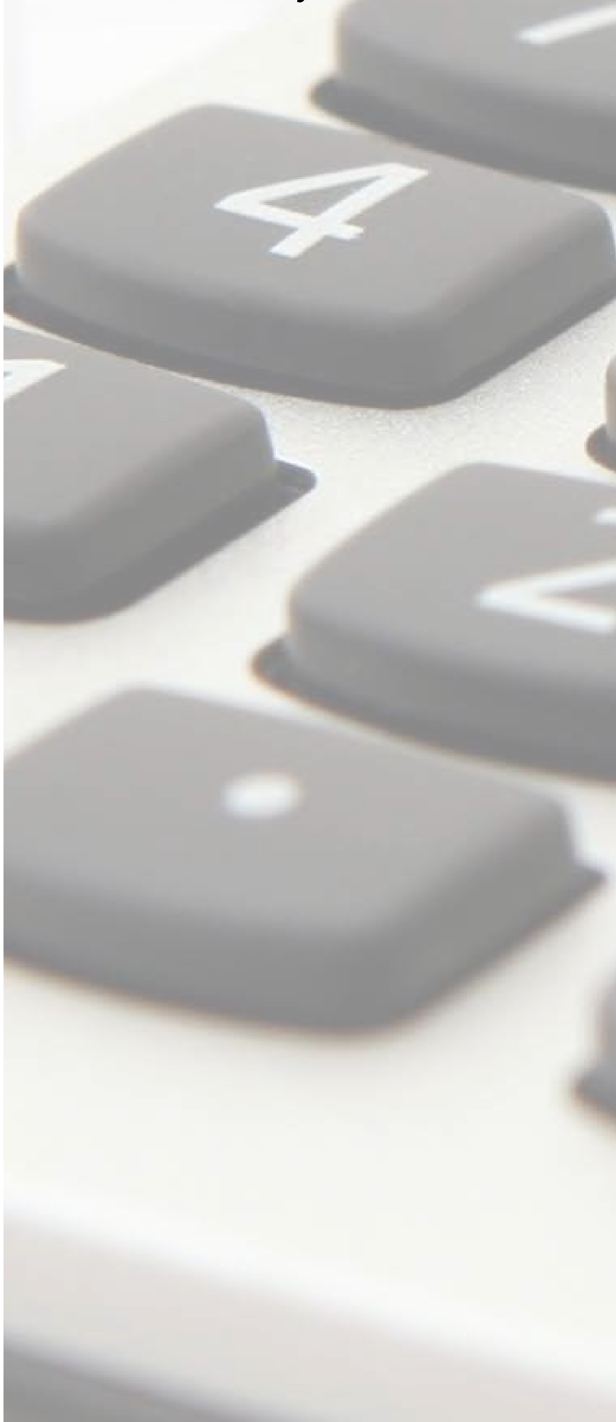
It is also worth noting that the prices you may be quoted by switching sites could be higher than those that you are currently paying. This is because a number of suppliers have recently announced price rises to their standard variable tariffs. The cost of new fixed term tariffs are also likely to be higher.

Don't be put off if the best deal is offered by a company you have never heard of. There are a growing number of independent energy firms eager to get your business by offering better deals. In fact, there are now 45 different suppliers fighting for your custom and strict rules imposed on the industry mean that even if your supplier fails, you as a household will be protected.

If you really don't want the hassle of switching, another new service, Flipper, will not only identify the best deals for its customers but switch suppliers on their behalf. Flipper doesn't take commission from the energy suppliers they switch users to. Instead, it charges a £25 annual subscription which is only paid if a user gets savings of £50 or more.

DID YOU KNOW...

When choosing a switching site it's best to use one that is Ofgem-approved. This means you can be sure that the company is independent, and the options and prices you find on them will be calculated and displayed in a fair and accurate way.



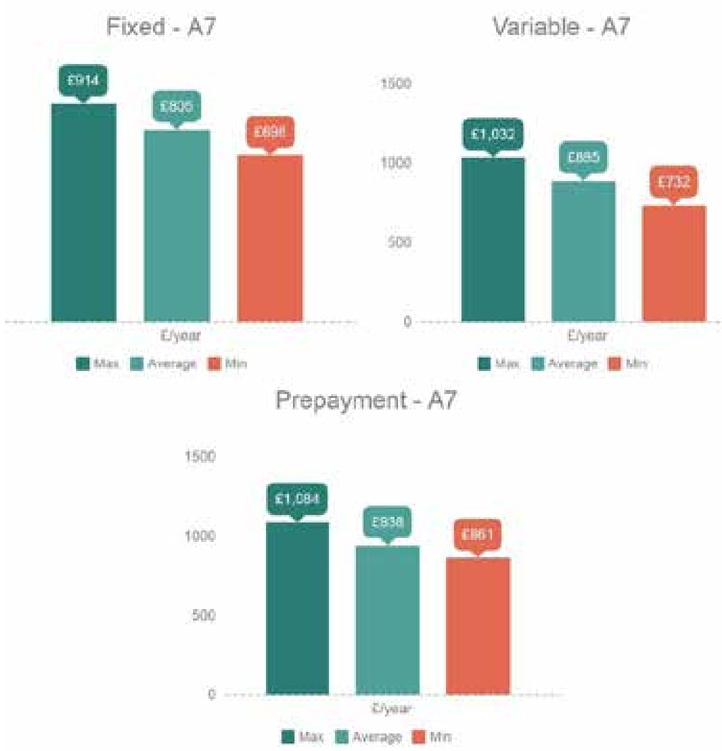
Tariff trends

When compared to this time last year, the cost of fixed tariffs has increased. However, the price of prepayment and variable tariffs is largely stable, as are the figures compared with January this year. But price rises announced by many suppliers do not take effect until March and April, so this position will change significantly over the next month.

In your area

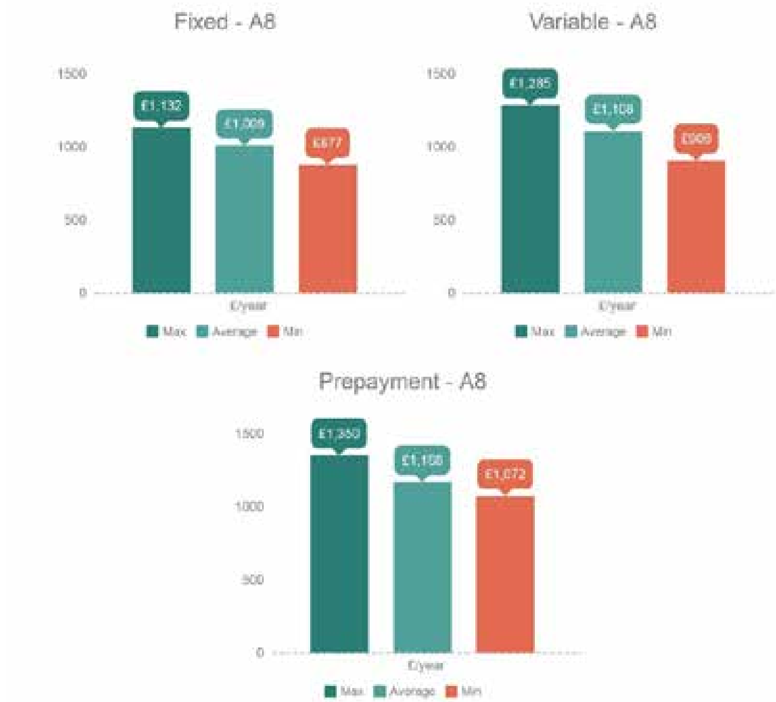
Household type: Social housing (A7)

Households in this type are all renters, with the majority social rented. The chart below sets out the variance between the most expensive and cheapest tariff in the Eastern region for this type of household.



Household type: Renters (A8)

Of the households in this type, 54% are social rented and 42% private rented. The majority are younger couples with children. They tend to be middle income earners with a mean annual household disposable income of £27,000.



Correct as of 13 March 2017

Best buys

2x Streak

Cheapest - Fixed

IRESA

Flex4 12month Fixed Direct Debit

£698

Most expensive - Fixed

GnERGY

GnERGY Fixed March 2018Fixed until Feb 2018

£914

New

Cheapest - Variable

Toto Energy

Go with the flow 2

£732

Most expensive - Variable

Good Energy

Good Energy & Gas+

£1,032

2x Streak

Cheapest - Prepayment

IRESA

Flex1 Prepayment

£861

Most expensive - Prepayment

First Utility

First Variable

£1,084

2x Streak **The second consecutive time in our best buys list**

New **New into the best buys list**

Market news

On 9 February, chief executive of the energy regulator Ofgem, Dermot Nolan confirmed that the regulator will review the way it awards supply licences. Ofgem will review its financial requirements on suppliers and how it monitors supplier performance, although he admitted there was a possibility no changes would be made.

Virgin Mobile founder Tom Alexander plans to launch a new energy supplier this spring, reported The Telegraph, on 18 February. The unnamed venture, which will be backed by a trading deal with BP, will reportedly focus on technology-led energy supply. A spokesman said the company will offer consumers “something sustainable, different and exciting.”

On 15 February, Leicester City Council and Leicestershire County Council formed a new energy supply partnership with an unnamed small supplier. It will run on a not-for-profit basis and will offer a renewable energy tariff alongside its standard tariff.

Switching

Over 345,000 customers changed electricity supplier in January, up 31% on the previous year, according to Energy UK statistics, published on 8 February.

Net large supplier losses were up to 29%, with 141,000 customers leaving large suppliers and nearly 40,000 heading in the other direction.

Complaints and customer service

The number of complaints by domestic energy consumers fell by 32% in 2016, according to data published by Ofgem and the Energy Ombudsman on 2 March.

The total number of complaints fell from 5mn in 2015 to 3.5mn in 2016, the lowest point in three years. On average, most large and medium suppliers resolve at least 90% of complaints within eight weeks.

DID YOU KNOW...

Three years ago there were 24 fully licenced energy suppliers offering service to households. Today there are over 45!

Prices

On 7 February, Ofgem announced the levels of its prepayment price cap which will come into effect in April. The cap varies with meter type and region, but is expected to save many prepayment customers 10%-15% on their gas bill, approximately £80/year.

British Gas announced on 10 February that it will extend its price freeze until August. The supplier said this was possible as it has significantly reduced its own costs to counter increases in external costs.

On 3 February, npower announced a price increase for its standard variable tariff customers, effective from 16 March. Typical dual fuel customers will see an increase of 9.8%. Approximately half of the supplier's customers will be affected. Existing standard variable tariff customers will be offered an exclusive four-year fixed tariff at a 4.8% discount with no exit fee.

On 28 February, SSE announced changes to its prepayment tariff as a result of the prepayment price cap. Approximately half of electricity prepayment customers will see an increase of 3%, and the remainder will see a drop of 2%. All gas prepayment prices will decrease by 13%.

Co-operative Energy will increase its standard tariff prices by 5% to £1,179/year from 1 April, according to uSwitch on 23 February. The increase will affect 100,000 dual fuel customers by adding £58/year to the average bill. A spokesperson said the supplier had absorbed various rising costs in recent months, but this was “no longer sustainable”, reported Energy Live News.

On 24 February, First Utility announced it will increase its standard tariff prices by 9.7% with effect from 1 April. The tariff will rise by £106/year to £1,149/year for the average customer. The supplier claimed that wholesale and non-energy costs have risen by 22% on last year, but that it had absorbed much of those costs. Approximately 13% of its customers will be affected.

SSE has announced that it will increase its standard electricity prices by 14.9% on 28 April. A statement issued by the company on Monday 13 March said that gas prices would be held at their current level, meaning that dual fuel bills would increase by 6.9% on average.

In our region: Pixie Energy

Pixie Energy's work in the East of England is set to continue with the next phase of the Local Supply Communities (LSC) project commencing later in the year. There are three over-arching goals for the upcoming phase:

- To test, build and demonstrate the business case for decentralised electricity markets and local solutions in the East Anglian area and their optimal integration with local networks in the UK Power Networks (UKPN) area
- To examine specific combinations of technology, processes and rules around electricity production and its consumption by applying smarter approaches, emerging technologies and other innovations, and building understanding of their different incentives and impacts on the energy market and on regional networks
- To identify and demonstrate new commercial models resulting from such solutions with a view to their roll-out beyond the East Anglian region

The project will benefit Local Authorities and end customers through lower cost and lower carbon opportunities than would be provided under the existing centralised energy marketplace, in turn aiding the local economy. Pixie will be partnered by a number of organisations for this phase, including UK Power Networks and Cornwall.

Project partners

UK Power Networks

pixie energy

Cambridgeshire County Council

CORNWALL
CREATING CLARITY

Suffolk County Council

Norfolk County Council

DID YOU KNOW...

Electricity generation from wind provided approximately 12% of UK supplies in 2016, having contributed virtually nothing a decade earlier.

Spring Budget 2017 brings little for the energy sector

The UK will replace the Levy Control Framework (LCF), which sets limits on the costs of subsidies for low–carbon electricity, with “a new set of controls,” Chancellor Philip Hammond said in his Spring Budget 2017.

The budget contained no details of the new controls, beyond specifying that “the government recognises the need to limit costs to businesses and households as the UK decarbonises its energy supplies” and that new controls will be outlined later this year.

The government also reaffirmed its commitment to bringing forward shortly a green paper that would examine markets that were not working efficiently or fairly.

Three steps will initially be taken:

- Legislation will be brought forward at the earliest opportunity to allow consumer enforcement bodies to ask the courts to order civil fines against companies that break consumer law. The government said this would be a “strong and effective deterrent” and would enable consumer bodies to take tough action against firms that misled or mistreated customers
- Proposals will be developed to protect consumers from facing unexpected payments when a subscription is renewed or a free trial ends
- Consideration will be given to how terms and conditions can be made clearer and easier for consumers to understand. This will build on the call for evidence on terms and conditions later this year.

What is the Levy Control Framework?

A number of government energy schemes are funded through levies on energy suppliers, who pass on the cost to consumers in energy bills. The Levy Control Framework (LCF) sets a cap for the forecast costs. Since November 2012, the Framework has covered three schemes to support investment in low-carbon energy generation: the Renewables Obligation, Feed-in Tariffs and Contracts for Difference.

Ofgem confirms proposals to slash local generation payments

Energy regulator Ofgem has announced that it is minded to reduce one of the main financial benefits earned by small scale embedded generators, potentially reducing these by approximately 90 per cent from their current levels. Ofgem has indicated that the Transmission Network Use of System (TNUoS) Demand Residual payment could be reduced from around £45/kW to less than £2/kW, thus occurring on a phased basis starting from 2018-19 – potentially jeopardising future investment in such assets and the ongoing operation of existing units.

As discussed in the last issue of *Local Energy Matters*, concerns that the regulator may be rushing through changes to a fundamental aspect of the market. Embedded generation projects with a capacity of less than 100MW that generate during the three half-hourly periods during the winter in which demand is highest – the triad periods – receive a payment from suppliers. The objective of this payment is ultimately to reflect the benefit accumulated by suppliers from the fact that they are effectively drawing power locally as opposed to from the national transmission network. The regulator is concerned that in the absence of reform, these arrangements will result in additional distortions in the energy markets and ultimately harm consumers.

Ofgem's proposals, and its related impact assessment, are for a progressive three-year reduction in TNUoS charges, linking the value attributable to a measure of avoided step-down reinforcement costs. Although this potential outcome is not a surprise, the pace of the move is, as is the fact that it is likely to be undertaken without a comprehensive review of embedded benefits. There have also been concerns raised by many, including us here at Pixie Energy, about the nature of judgements being made about possible impacts of reforms on wholesale and balancing costs, but also on security of supply given the large amount of existing embedded generation that relies on these payments.

Given that Ofgem has indicated that a further wider review of charges will take place, the regulator may have jumped the gun by announcing its plans for triad reform now rather than allowing these for form part of that more comprehensive exercise – potentially applying an interim cap on the current level of payment until that larger scale review has been completed. Perceptions of regulatory risk in the GB market are already significant, and this latest development further jars investors nerves. If we do not learn lessons from this process, and repeat similar approaches in the work to come on the design of a smart, flexible market, then it is highly likely the transition will be bumpier and costlier than it needs to be.

What are embedded benefits?

Small-scale generation connected to the distribution system currently receives a range of benefits (known as "embedded benefits"), which are intended to reflect the value that such projects offer to the wider network. However, last year the government handed down orders to the Ofgem to consider the embedded benefits enjoyed by existing distribution generators. The basis for this is that the government is keen to remove, or at the very least reduce, some of the benefits of decentralised energy generation in favour of larger power stations, which it believes are needed for long-term security of supply.