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ENERGY PRICE CUTS STILL LEAVE A £1.9 BILLION HOLE IN CONSUMER POCKETS

With news that ScottishPower has followed rivals with a 5% cut on gas prices with effect from 27th February^[1], uSwitch.com looks at where the recent round of price decreases by Britain's big six energy suppliers leaves consumers:

- **Energy prices rocketed by £224 or 21% in just over a year, but price cuts this year amount to £34 or 2.6%**^[2]
- **Two rounds of price rises since the end of 2010 added a total of £2.24 billion onto household energy bills – this year's price cuts will shave £340 million off again**^[3].
- **Average annual household energy bill will fall from £1,293 to £1,259, wiping out 15% of last year's price hikes**^[4]
- **In January 2006 the average household energy bill was £660 a year. Once the price cuts come into effect it will be £1,259 - £599 or 91% higher**^[2]
- **2.6% price cut announced by suppliers will pull just 136,500 households out of fuel poverty**^[5].

Recent energy price cuts will still leave households with a £1.9 billion hole in their pockets^[3], according to uSwitch.com, the independent price comparison and switching service. While double digit price hikes added a total of £2.24 billion on to household energy bills in little over a year^[3], single digit price cuts announced in the past week will wipe £340 million back off again – leaving consumers with a £1.9 billion shortfall^[3].

The recently announced price cuts will chip £34 or 2.6% off the average household energy bill. However, suppliers increased their prices by £224 or 21% from the end of 2010^[2] which means that consumers will see just 15% of the increase wiped out^[4]. The average household energy bill in October 2010 was £1,069, rising to £1,293 following last year's increases^[2]. Now, price cuts will bring it down to £1,259 – which means consumers will be paying £190 or 18% more than they were just over a year ago^[2].

As well as barely scratching the surface of price hikes, the announced cuts will also barely scratch the surface of fuel poverty in the UK. Last year's energy price increases saw fuel poverty rocket to 6.9 million households^[5]. This year's cuts can be expected to pull 136,500 households back out of the trap^[5].

In the last 6 years, household energy bills have rocketed by £599 or 91% - from £660 a year in 2006 to £1,259 a year after the price cuts come into effect^[2]. And it's not just the fuel poor that are suffering. Almost a third of consumers (32%) say that household energy is already unaffordable in the UK^[6] while the cost of energy is the top household worry for consumers (90%) ahead of the rising cost of food (77%) and mortgage payments (42%)^[7].

Ann Robinson, Director of Consumer Policy at uSwitch.com, says: "This £34 or 2.6% cut in energy prices will seem like a drop in the ocean to cash strapped consumers, especially when compared with the £224 or 21% price hike seen since the end of 2010. The cost of energy has become a major household worry and these single digit price cuts will do little to change that. Affordability looks set to remain a concern.

"The fact is that these price cuts do not come anywhere near offsetting the eye watering price hikes that have hit consumers since the end of 2010. But while suppliers have reduced prices by £34, households could actually cut their own energy bills by up to £420^[8] by moving to dual fuel, paying by direct debit and signing up to a competitively priced deal. Shopping around for a more cost effective deal could give you a bigger price cut than that currently being offered by suppliers."

Average household energy bills:

Supplier	October 2010	November 2011	After announced price decrease
British Gas	£1,030	£1,286	£1,260
EDF Energy	£1,037	£1,241	£1,203
E.ON	£1,061	£1,293	£1,260
npower	£1,095	£1,282	£1,243
ScottishPower	£1,152	£1,391	£1,349
SSE	£1,038	£1,265	£1,237
Average	£1,069	£1,293	£1,259

Source: uSwitch.com

Based on a medium user consuming 3,300 kWh of electricity and 16,500 kWh of gas with bill sizes averaged across all regions.

For more information visit www.uSwitch.com or call 0800 093 06 07

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Notes to editors:

1. ScottishPower press release issued 16th January, 2012.
2. Based on a medium user customer using 3,300 kWh of electricity and 16,500 kWh of gas, on a standard dual fuel plan, paying quarterly by cash or cheque with bill sizes averaged across all big six suppliers and all regions.
3. Customers affected taken from individual supplier announcements as follows: SSE (announcement 29/10/2010) increase to affect around 3.6 million customers, British Gas (announcement 12/11/2010) increase will affect around 8 million customers, ScottishPower (announcement on 19/11/2010) move to affect around 2.5 million customers, nPower (announcement on 10/12/2010) move to affect around 6.2 million customers, E.ON (announcement on 11/01/2011) move to affect around 4.3 million customers. EDF Energy (announcement 3/2/2011) will affect 3.3 million customers. These add up to 27.9 million customers. uSwitch.com estimates 10 million standard plan customers based on 26 million households and Ofgem statistics showing that 7 million customers are on price guarantee plans, 3.5 million are on online tariffs, 3.8 million electricity customers and 2.6 million gas customers are on PPMs. The average increase from the first wave of price rises for a customer on a standard plan, based on a medium user profile using 3,300kWh of electricity and 16,500kWh of gas paying on receipt of bill, was £63. Taking this increase over 10 million standard plan customers totals £630 million added to consumer bills. On the same basis, the second wave of increases added £1.61 billion to bills taking a £34 average decrease over the same 10 million customers takes £340 million back off bills.
4. Prices increased last year by £224 on average, while price cuts this year average £34. This means price cuts wipe out 15% of last year's hikes.
5. Fuel Poverty Advisory Group estimated that for every 1% rise in energy prices a further 45,000 – 60,000 households are pushed into fuel poverty (Chapter 7: FPAG 9th Annual Report). Total fuel poverty numbers come from research conducted by YouGov on behalf of uSwitch.com. Total sample size was 2,323 adults with bill paying responsibility for their household. Fieldwork was undertaken 12th-15th April 2011. The survey was carried out online. The figures were weighted and representative of all GB adults (aged 18+). The groups identified as in fuel poverty were calculated by cross referencing type of household and social grade (ABC1 classified as middle class, C2DE classified as working class) with net monthly household income and average monthly energy spend. Respondents who answered "Don't Know" or "Prefer not to say" have been excluded from fuel poverty calculations. Fuel poverty calculation = Monthly energy bill divided by net monthly income. Those who were spending 10% or more of their net monthly income on energy bills are classified as being in fuel poverty. The research showed 6.3 million or 24% of all households could be classed as fuel poor. Taking a mid point of 52,500 from the FPAG's estimate, the 14.2% increase in prices seen subsequently will have added 745,500 households while the recent price cuts will have removed 136,500 households leaving a new total of 6.9 million.
6. Research carried out in September 2011 with the uSwitch.com Consumer Opinion Panel amongst 2,295 adults with bill paying responsibility for gas and electricity in their household. In response to: 'The average household energy bill is currently around £1,200 a year. At what point do you think energy will become unaffordable in the UK?' 32.2% of respondents said 'it's already unaffordable'.
7. See point 4 above for details of research. When asked: 'Thinking of the rising cost of living, which FOUR of the following worry you the most?', the answers were: Food bills 77.00%, Council tax 58.90%, Energy bills 89.60%, Petrol 73.50%, Train fares 11.60%, Mortgage/rent payments 41.90%, I am not worried 3.80%
8. Between 1st July, 2011 and 31st October, 2011 at least 10% of people who switched energy supplier for both gas and electricity with uSwitch.com saved £420 or more.

About us

uSwitch.com is a free, impartial, online and telephone-based comparison and switching service, helping consumers compare prices on gas, electricity, water, heating cover, home telephone, broadband, digital television, mobile phones and personal finance products including mortgages, credit cards, current accounts and insurance. In 2010 uSwitch.com celebrated ten years of saving customers money.

uSwitch.com is the first comparison website to achieve the Plain English Campaign's Internet Crystal Mark, which is recognised as a standard that a website has clear language, is accessible and easy to use, and has been tested on a sample of its users.

uSwitch.com is dedicated to helping consumers save money whether they have internet access or not. It offers a dedicated call centre, manned by uSwitch customer service representatives, as well as a freepost 'Send us your bill' service, whereby customers can post their latest energy bills with their telephone number to FREEPOST USWITCH, to get a free call back from a dedicated customer services representative. The service is also available via fax, email and post. Consumers should fax 0203 214 8417, email CustomerServices@uswitch.com or write to Customer Services, uSwitch.com, Centro 3, 19 Mandela Street, London, NW1 0DU with their postcode and usage details.

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