

Domestic energy report

Your inside guide to the Welsh energy market

29 July 2010

Consumer Focus Wales is the statutory voice of domestic energy consumers. This regular report provides exclusive Welsh information on the cost and provision of mains gas and electricity.

Paying the price of loyalty

ScottishPower charges its customers in North Wales up to £71 more than its customers in neighbouring regions. The company inherited the customers of Manweb, the former public electricity supplier for the area. It is these customers who are paying a premium for their fuel, while ScottishPower offers cheaper deals over the border in areas where it is trying to attract new customers. It costs £20 a year more to distribute electricity in north Wales than the rest of Britain, which accounts for some, though not all of the price difference between regions.

Area	Annual electricity bill
North Wales and Merseyside	£504
North West England	£433 (£71 cheaper)
English Midlands	£442 (£62 cheaper)

Based on an average fuel consumption of 3,300kWh, paying quarterly by cash or cheque.

ScottishPower prompt pay 'discount'

ScottishPower charges an extra £150 on its gas and electricity customers who fail to pay their quarterly electricity bill within ten days of it being issued. It is alone among energy companies in charging this rate.

Those ScottishPower customers who cannot 'pay prompt' face penalty prices. If they cannot respond, or remain unaware of the implications of their behaviour, they face considerably overpaying for their energy.

Customers may not realise that they are paying penalty rates because it is not made sufficiently clear to them. The language used by ScottishPower may also influence consumer behaviour.

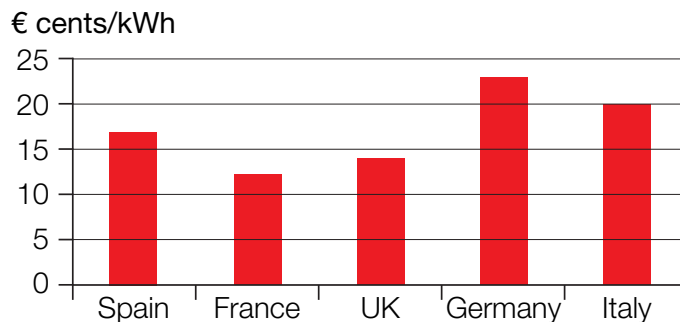
For example, consumers may be less motivated to achieve a 'prompt pay discount' than they would be to avoid a 'late pay penalty'.

Consumer Focus has complained to Ofgem and ScottishPower calling on the company to end this practice. Meanwhile we want to encourage consumers who are paying this way to consider a move to a different payment method, or a different company if they still want to pay for their energy this way.

	British Gas	E.ON	EDF Energy	npower	SWALEC	Scottish Power
Maximum prompt pay deduction	£30	£37	£23	£0	£30	£150

How we compare with other countries

On average, consumers in the UK pay 14 Euro cents per kWh for their electricity. This compares favourably with Germany, where consumers pay 22.9 € cents kWh. Consumers in France pay the least on average. This graph shows that the energy used by consumers while holidaying abroad often costs more than the electricity used at home.



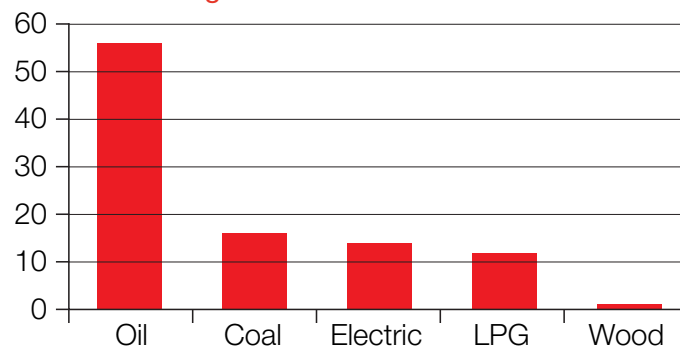
Source: Eurostat. Electricity – domestic consumers – half-yearly prices.

Consumers off the gas network in Wales

Consumer Focus Wales has published research which shows the disadvantages faced by consumers who are not linked to mains gas. They tend to pay more to heat their home and so are more likely to find themselves in fuel poverty¹. In addition, they are not protected by Ofgem, the energy regulator, and as a result potentially face more risk from poor customer service and opaque pricing.

According to our research, heating oil is the most popular fuel for heating among off-gas consumers, with 56 per cent of people using it. This is followed by coal (16 per cent), electric (14 per cent) and LPG (12 per cent).

Percentage of off-gas consumers using fuel as main source of heating



Source: Consumer Focus Wales, February 2010 (Base = 421)

Sizeable savings for switching

The domestic energy market was opened up to full competition in 1999. However, a high proportion of Welsh consumers remain with their original suppliers and are overpaying for their energy.

North Wales

A consumer in north Wales who has never switched supplier or tariff and who uses a medium amount of energy² spends £1,261 on their fuel bills a year. By changing to a dual fuel tariff which is paid by Direct Debit and managed online, consumers could save up to £366 a year on their energy bills.

Annual tariffs for those who have never switched		
British Gas Standard gas:	£757	= £1,261
ScottishPower No standing charge electricity:	£504	
Lowest three tariffs		
Rank	Tariff	Bill
1	E.ON save online v2	£895
2	EDF Energy online s@ver v6	£904
3	British Gas websaver v8	£912

¹ A household is in fuel poverty if more than 10 per cent of income is needed to keep the home warm.

² Based on an average electricity consumption of 3,300kWh of electricity and 20,500kWh of gas per annum.

South Wales

A consumer in south Wales who has never switched supplier or tariff and who uses a medium amount of energy spends £1,220 on their fuel bills a year. By changing to a dual fuel tariff which is paid by Direct Debit and managed online, consumers could save up to £293 a year on their energy bills.

Annual tariffs for those who have never switched		
British Gas Standard gas, cash or cheque:	£752	= £1,220
SWALEC No Standing Charge electricity, cash or cheque:	£468	
Lowest three tariffs		
Rank	Tariff	Bill
1	npower sign-online v19	£927
2	E.ON save online v2	£932
	EDF Energy online s@ver v6	£932

How to switch

As this report highlights, the typical customer can save up to £366 on their energy bills. Switching your energy tariffs is a straightforward way to save money on your fuel bill. To help consumers switch, a number of independent price comparison sites and phone lines are available. The following are accredited by the Consumer Focus Confidence Code, which ensures price comparison sites are independent and impartial.

Consumers using an accredited site can be 100 per cent confident that they are seeing all tariffs and that the results are completely unbiased.

www.confused.com
www.energyhelpline.com 0800 074 0745
www.fuelswitch.com
www.energylinx.co.uk 0800 849 7077
www.moneysupermarket.com ... 0845 345 129
www.simplyswitch.com 0800 111 395
www.theenergyshop.com 0845 330 7247
www.ukpower.co.uk 0845 009 1780
www.unravelit.com 0800 279 4091
www.uswitch.com 0800 404 7908
www.whichswitch.co.uk

Consumer Focus Wales is Wales' consumer champion. In addition to our work on energy, we also empower and represent consumers of postal and financial services, as well as working on wider consumer issues. More details can be seen at www.consumerfocus-wales.org.uk

Contact us

Consumer Focus Wales, Capital Tower, Greyfriars Road, Cardiff CF10 3AG

For more information please phone 029 2078 7100 or email contact@consumerfocus-wales.org.uk