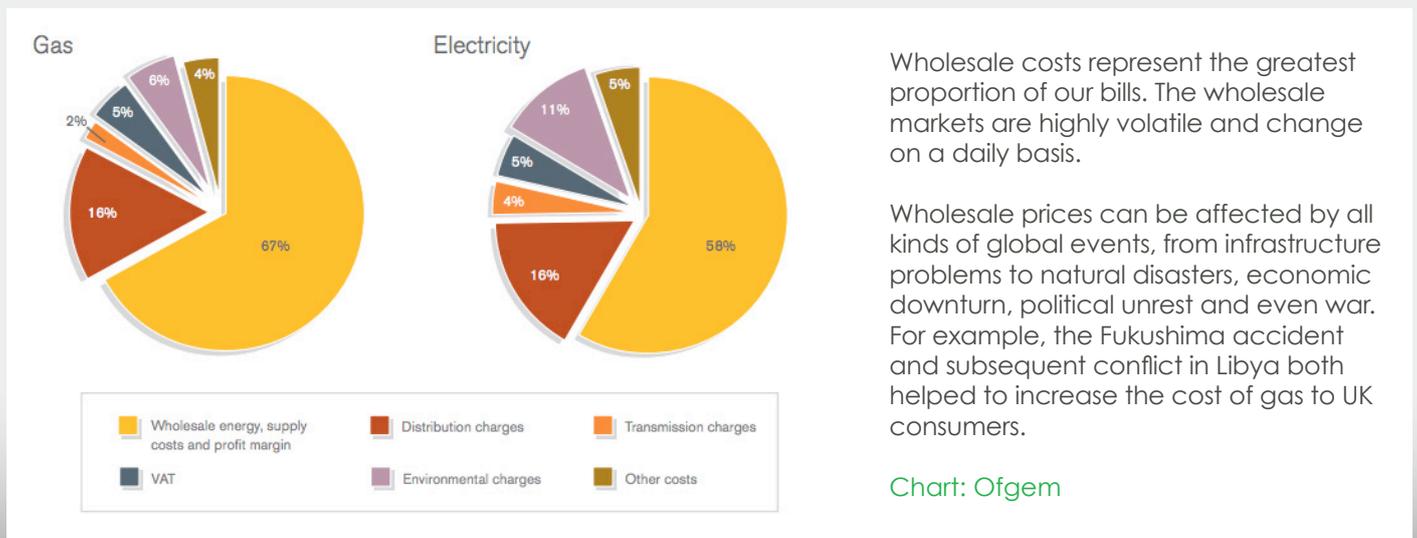


What is really going on?

Energy bill breakdown

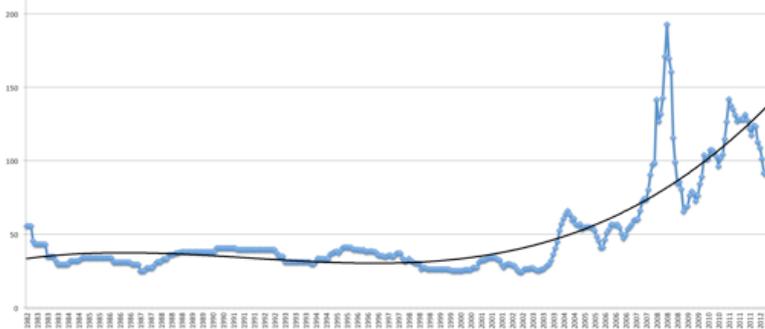
Household and commercial energy bills are comprised of various costs; wholesale energy costs, transmission and distribution costs, losses, network charges, government subsidies and initiatives, metering and supplier margins. The below charts from Ofgem show some of these charges but do not show the proportion for losses and supplier margins, which are roughly 7% and 8%.



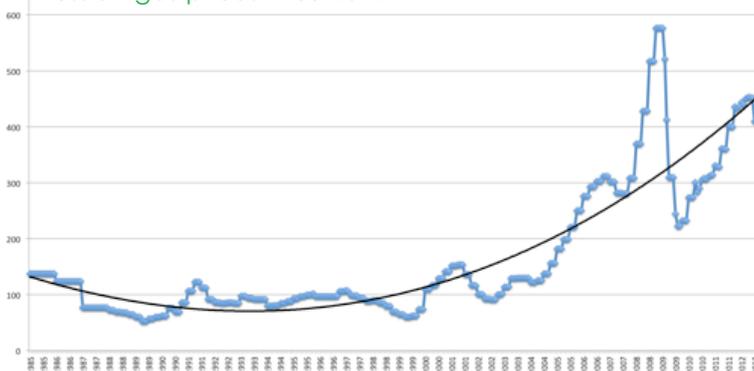
Wholesale costs represent the greatest proportion of our bills. The wholesale markets are highly volatile and change on a daily basis.

Wholesale prices can be affected by all kinds of global events, from infrastructure problems to natural disasters, economic downturn, political unrest and even war. For example, the Fukushima accident and subsequent conflict in Libya both helped to increase the cost of gas to UK consumers.

Australian coal prices 1982-2012



Russian gas prices 1985-2012



Wholesale markets

Chart data from the International Monetary Fund, Index Mundi website www.indexmundi.com

Suppliers buy energy in advance to prevent sudden fluctuations in consumer prices. This is called *hedging*. A report from Ofgem found that major energy suppliers were quick to increase consumer bills when wholesale prices rose but less quick to reduce them again when wholesale prices fell.

The UK is heavily reliant on imported fuel so the global energy market has a significant impact on our energy supply and bills. Pricing for Australian coal and Russian gas has been particularly unpredictable in recent years.

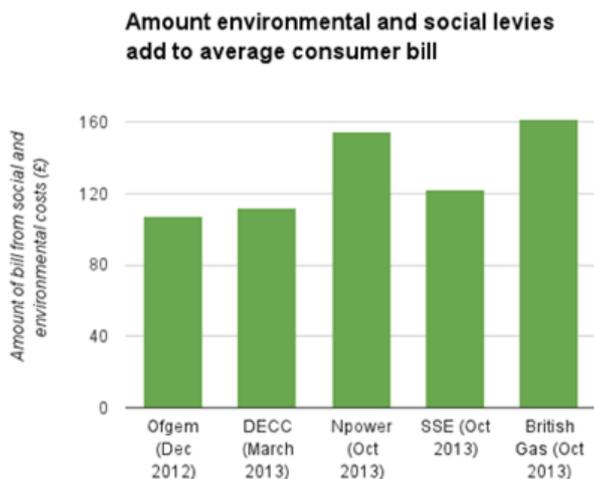
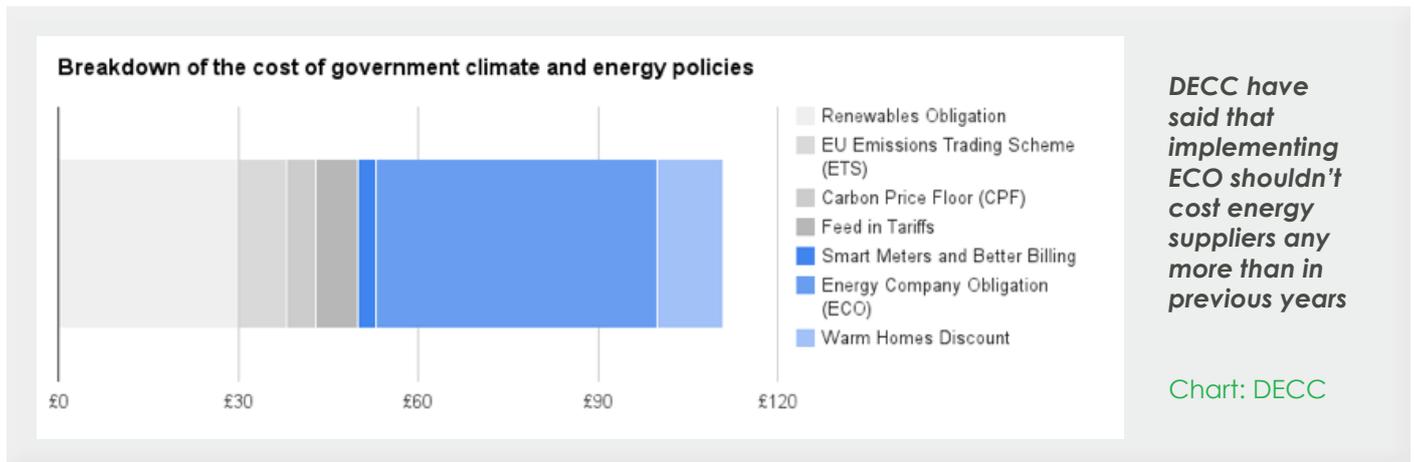


Energy Price Rises

What is really going on?

'Green levies' and price rises

We know that 'green levies' make up 6% and 11% of our gas and electric bills but what exactly do these costs include? The below chart from DECC shows which costs are attributed to which schemes. The greatest proportion is the Energy Company Obligation or ECO scheme, which provides energy efficiency measures to those living in fuel poverty. It is funded by the energy suppliers.



The 'Big Six' are blaming recent price hikes on increasing wholesale prices and costly 'green policies', with different claims over how much they have actually added to bills.

Chart: 2degrees network

Stephen Fitzpatrick, chief executive of small supplier Ovo Energy, recently accused energy companies of systematically overcharging customers by £3.7bn a year, saying he cannot explain any of these price rises as his company is buying gas for 7% less than it was 2 years ago.

He suggested that the Big Six charge the maximum rates to those they believe are less likely to leave, saving their most competitive tariffs for those who threaten to leave.

What can we do?

Switching energy suppliers can solve the price increases in the short term but it won't protect you from the predicted long-term price increases, which are estimated to reach 100% higher by 2020, according to DECC.

On-site renewable energy generation can 'fix' your electricity rates for the next 25 years and thanks to guaranteed subsidies for 20 years you can earn a generous income too! Ask us for more information.