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## HOUSEHOLD ENERGY BILLS TO HIT ALMOST £5K IN 10 YEARS TIME

Household energy bills could reach as high as £4,733 a year by 2020<sup>[1]</sup>, nearly four times higher than they are today, according to new research from uSwitch.com. The average household energy bill today is £1,243 a year<sup>[2]</sup>. However, ongoing pricing trends coupled with investment in infrastructure, the cost of cutting carbon and boosting energy efficiency, could see this spiral. The additional cost of investment alone is expected to add £548 a year onto consumers' energy bills<sup>[1]</sup>:

- **Energy bills have more than doubled in the last 5 years<sup>[2]</sup> – if this trend continues bills would reach £4,185 a year by 2020<sup>[1]</sup> without taking into account additional investment costs**
- **According to Ernst & Young, investment in Britain's energy supplies will cost £233.5 billion – this will add £548 a year onto household energy bills for the next 15 years<sup>[1]</sup>**
- **In 2004 the average bill size was £580. Today it is £1,243 – 114% higher<sup>[2]</sup>**
- **Global demand and wholesale volatility contributed to price hikes over the last 5 years, including a 42% or £381 increase in household energy bills last year<sup>[3]</sup> – no evidence to suggest that market volatility won't continue**
- **Cost reductions through energy efficiency measures likely to be wiped out by growing demand for energy caused by increase in single person households, ageing population and increasing consumer reliance on electrical gadgets.**

Consumers are being warned today that they could be facing annual energy bills of almost £5,000 a year by 2020<sup>[1]</sup>. The shock forecast from uSwitch.com, the independent price comparison and switching service, is based on pricing trends over the last 5 years and takes into account the huge investment programme shortly to be undertaken by the energy industry and Government. The investment, expected to total £233.5 billion<sup>[1]</sup>, will secure the country's

longer-term supply and enable the roll-out of smart metering into all homes, but will add £548 a year onto household energy bills for the next 15 years<sup>[1]</sup>.

Looking at pricing trends alone, consumers could expect energy bills to reach £4,185 by 2020<sup>[1]</sup>. This strips out the cost of investment, but factors in inflation and volatility in the wholesale markets, as seen by suppliers over the last 5 years. Since 2004, global demand for energy and volatility in wholesale prices have contributed to a 114% increase in household energy prices<sup>[2]</sup>, including a 42% or £381 increase last year<sup>[3]</sup>. The overall effect has been to see household energy bills more than doubling from £580 in 2004 to £1,243 today<sup>[2]</sup>.

Volatility is expected to continue to be a dominant theme in the energy market going forward. Although the current world-wide recession is dampening demand for energy, the recession is due to end by 2011/12, when global demand for energy can be expected to start climbing again. Power hungry economies, such as China and India, will be returning to strength, resulting in an upward pressure on wholesale energy prices. At the same time, North Sea oil will start to run out adding greater pressure on the market. Wholesale energy prices account for around 50% of a household bill<sup>[4]</sup> so continuing volatility will have an impact on the amount consumers will pay.

As well as upward pressure on household energy bills, there will be downward pressure too. The Government's drive to make British households more energy efficient will start to pay dividends. But, instead of reducing bills it will serve to counterbalance other factors pushing energy usage up, such as the growth in single person households, Britain's ageing population and growing reliance on electrical gadgets.

**Ann Robinson, Director of Consumer Policy at [uSwitch.com](http://uSwitch.com), says:** "This is a wake-up call for us all. The £5,000 a year energy bill may seem like an outside possibility, but we have to remember that energy bills doubled in the last five years alone and that the huge investment needed just to keep the lights on in Britain will alone add £548 a year onto our bills. The fact is we are entering a new era of high cost energy and households will have to adapt their behaviour accordingly.

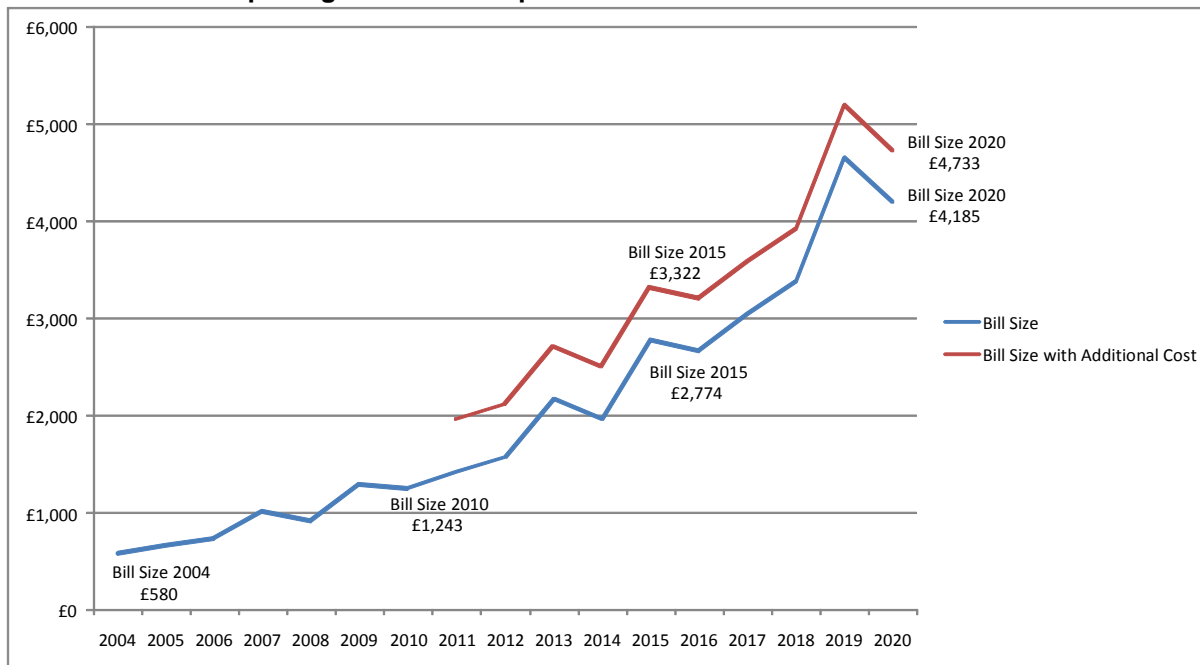
"The Government has been banging the drum for energy efficiency for a while now, but consumers have been reluctant to spend money on these measures. As a result, energy efficiency has been massively underperforming even though it is one of the biggest defences we have against escalating energy costs. We also have a competitive energy market, and yet less

than 5% of consumers are on the most competitive energy plans<sup>[4]</sup> – most people are paying far more than they have to for the energy they use.

“This has to change. My advice to consumers is to invest in making your home more energy efficient, reduce the amount of energy you use and make sure you are paying the lowest possible price for it. Big projects such as a new energy efficient boiler or home insulation can be expensive, but the savings you make through cutting the price of your energy could be re-invested into energy efficiency measures so that you reap even greater rewards in the future.

“Don’t be put off. If cost is an issue, speak to your supplier to see if they can help – they have a pot of money available to help households with energy efficiency. Or contact the Energy Saving Trust for advice. The key thing is to start future-proofing yourself against higher energy bills now.”

#### Bill sizes based on pricing trends and impact of additional costs from investment:



#### £233.5 billion investment – what are the key costs?<sup>[1]</sup>

- Renewable energy generation - £112.5 billion
- Power plants (including gas-fired, coal-fired and nuclear) - £52.1 billion
- Upgrading pipes, networks and gas storage - £39.8 billion
- Roll-out of smart metering - £13.4 billion
- Carbon emissions reduction target - £15.7 billion

**Total = £233.5 billion**

For more information visit [www.uSwitch.com](http://www.uSwitch.com) or call 0800 093 06 07

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**Notes to editors:**

1. Based on a medium user consuming 3,300kWh electricity and 20,500 kWh gas, on a standard plan, paying on receipt of bill with bill sizes averaged across all regions. The £4,733 figure takes into account pricing trends over the last 5 years and investment costs required by the energy industry. According to Ernst & Young, reported in The Times on Monday 25<sup>th</sup> May, 2009 in an article written by Robin Pagnamenta, these investment costs total £233.5 billion and imply a total bill of £8,977 or £598 a year for the next 15 years for every household. However, Ernst & Young factored in £112.5 billion for renewable generation and £15.7 billion of CERT investment. Consumers are already contributing for these items on their bills: according to Ofgem, in 2006/07, the Renewable Obligation cost each domestic consumer about £10 a year plus, under the Carbon Emission Reduction Targets (CERT) scheme we are all paying an extra £19 a year on gas and £18 on electricity to provide funding to support energy efficiency measures. Therefore, to reflect these costs across all domestic energy accounts we have added £548 a year onto household energy bills instead of the £598 a year predicted by Ernst & Young.
2. Based on a medium user consuming 3,300kWh electricity and 20,500 kWh gas, on a standard plan, paying on receipt of bill with bill sizes averaged across all regions. In 2004, the average annual dual fuel bill was £580. At present it is £1,243. This is a 114% increase.
3. Customer using 3,300 kWh of electricity and 20,500 kWh of gas, on a standard Dual Fuel plan, paying on receipt of bill with bill sizes averaged across all regions. Average Dual Fuel bill as at 1<sup>st</sup> January 2008 was £912. Following the first round of price rises by all big six suppliers, the average dual fuel bill was £1,048 - a 15% increase. The second round of price increases took annual bills to £1,292 - a 23% increase.
4. According to industry regulator, Ofgem.

**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, personal finance products and car insurance.

Our aim is to help customers take advantage of the best tariffs and services on offer from every supplier. To aid us in this task we have developed a comparison calculator, which evaluates a number of factors including price, location, service and payment method, and advises consumers on the best deal to suit their needs.

The service is also available via fax and post. Fax 020 7233 5933 or write to Customer Services, uSwitch.com, 111 Buckingham Palace Road, London, SW1W 0SR, with your postcode and usage details.

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