



Energy Tutorial: Energy Usage

Tariffs, fuel payment methods and switching suppliers

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TARIFFS

Electricity and gas are supplied to domestic customers under a number of tariffs¹. The most common are described below.



Online tariffs

Almost all energy providers now offer paperless, online-only tariffs. Instead of a paper bill each month, you receive an email when your payment is due. If you pay by direct debit you won't need to do anything, if not you can log into your account online to pay your bill. Managing your account online enables you to edit payment details and even enter your own meter readings.

Single fuel tariffs

Getting your gas and electricity from separate suppliers can be more expensive than buying from a single supplier. Substantial savings are more likely to be made by moving to a dual fuel plan, but a full comparison for your postcode is suggested to be sure.

Dual fuel tariffs

In a bid to encourage customer loyalty, most major suppliers offer a dual fuel tariffs with price reductions and discounts available to customers who take both their gas and electricity from the same company.

Dual fuel tariffs also allow clients to have just one bill and one direct debit to deal with each month, going out to the same company. Because of the discounts offered, dual fuel tariffs are usually the cheapest option for many customers. However that's not always the case so a full search to see what's on offer at your postcode is recommended.

Capped prices

Capped or fixed price tariffs work by guaranteeing that your monthly or quarterly bills won't rise for a set amount of time. However, your price guarantee could cost you since capped tariffs can cost more per unit of energy than other plans that could fluctuate. Capped prices can be cost effective in the long run if prices go up.

Economy 7

Economy 7 tariffs use a two-tier meter, one to measure energy use at a higher rate during the day, and one to measure use during the cheaper "economy" hours at night. The times associated with the two tiers will vary between energy suppliers.

¹ Energy Inform Ltd (2004), *Energy Advice Handbook*

Economy 7 customers pay a lower rate for their energy over seven night time hours to ease pressure on the national grid during the day when most people are boiling kettles, doing their washing and watching TV.

Economy 10

Economy 10 follows the same principal of the traditional economy 7 tariff but provides 10 hours of off peak electricity usage.

The hours for the economy 10 tariff are split into three tariff periods (rather than 2 as with economy 7): 3 hours in the afternoon, 2 hours in the evening, 5 hours over night. As with economy 7, the actual designated times when this tariff is effective varies from supplier to supplier so if you want to investigate this tariff then it is best to check with your provider to see if they can provide it for you and what the times for the reduced rates are.

FUEL PAYMENT METHODS

The two main ways to pay for electricity and gas are credit and prepayment.

1. **Credit** – this is how most people pay for fuel. The amount of fuel used is measured by a meter as it enters the home and the householder receives a bill which can be paid in various ways (online direct debit, standard direct debit, paying by cash or cheque).
2. **Prepayment** – by means of tokens, smart cards or keys. The fuel is paid for as it enters and is used in the home.

Prepayment meters and **standard credit** are the most expensive ways to pay for energy, while paying by **direct debit** often accesses the cheapest rates and is also the most convenient as it allows residents to budget more effectively and spread the payments over the year, rather than ending up with high bills in the winter.

Energy companies often offer discounts to customers who can manage their account online, so **online direct debit** is proving even cheaper than standard direct debits.

- £ 1. Online direct debit
- ££ 2. Standard direct debit
- £££ 3. Paying by cash or cheque
- £££ 4. Prepayment meters

Figure 1: Fuel Payment Methods

Source: NEF

Changing to a direct debit is the best option to save money

SWITCHING SUPPLIERS

Key points

1. Use a free comparison service, online or by phone, such as [uSwitch](#). Be wary as to how impartial such comparison services are. The Government launched a 'Power to Switch' campaign in 2015, which is a good starting point: http://www.goenergyshopping.co.uk/en-gb/power-to-switch/?utm_source=beanenergyshopper&utm_medium=referral&utm_campaign=power_to_switch_feb_2015 Many energy bills now also have QR codes on them that you can scan to compare prices: <http://www.uswitch.com/gas-electricity/guides/energy-bills-qr-codes/>
2. You will be required to give a few details about the property and current usage.
3. Use old bills to make the results more accurate.
4. Look for a gas and electricity tariff if possible.
5. Can help those using storage heaters obtain better deals too.

Using an impartial comparison service will provide you with a comprehensive list of suppliers in your area. When you do this they will ask for a few details about your property, e.g. how it's being heated. They will also ask about current energy use; you can use old bills to get this information.

The switching process

1. Choose a new supplier
2. The paperwork is handled by the new and old suppliers
3. The transfer can take up to six weeks
4. The new supplier will keep you updated and confirm the switch date
5. The old supplier will send a final bill – pay this and cancel any direct debits
6. Take a meter reading on the switch date and give it to both suppliers

Useful to know

1. Fixed term tariff charges – some companies may charge to end a contract early, particularly with a fixed rate tariff.
2. Cost of changing to a standard meter – some companies charge for changing from a prepayment meter to a standard meter.

3. You are not able to switch suppliers if you owe the energy company money. You would have to clear the debt before switching suppliers.

Green suppliers

Most energy suppliers offer 'green' electricity tariffs. These seek to support renewable energy generation. The two main types of offering are green supply tariffs and green funds.

1. Green tariffs

A green tariff means that some or all of the electricity you buy is 'matched' by purchases of renewable energy that your energy supplier makes on your behalf. These could come from a variety of renewable energy sources such as wind farms and hydroelectric power stations. Your supplier should let you know what sources are included in the mixture, and also what proportion of your supply is renewable.

Many green tariffs state that your supply is renewable but they simply assign some of the renewable energy they are already required to supply to you, while reducing the amount of renewable energy they provide to other customers. This does not increase the amount of renewables in the overall energy mix.

Some companies will guarantee that a proportion of the renewable energy they are purchasing (and you are buying) is 'additional' i.e. it is above and beyond what suppliers are already required to produce. This creates an additional incentive to develop new generating capacity and so could lead to increased renewable generation and reduced carbon dioxide emissions.

2. Green funds

A green fund usually involves paying a premium to contribute to a fund that will be used to support new renewable energy developments. Under this option, the existing electricity supply continues as normal, but your involvement could help to alter the mixture of energy sources in future toward renewable sources (depending on the type of tariff). The new generation projects supported may also receive support under existing government support schemes.

FURTHER RESOURCES AND INFORMATION

- The UK Government's 'Power to Switch' campaign and associated information:
<http://www.goenergyshopping.co.uk/>
- Energy Saving Trust information about green electricity:
<http://www.energysavingtrust.org.uk/domestic/buying-green-electricity>