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HOUSEHOLD ENERGY: BRITAIN ON BRINK OF AFFORDABILITY CRISIS

- Over a quarter of households (28%) are already struggling to afford their energy bills^[1] following this year's hefty 21% or £224 price rise^[2]
- Almost a third of consumers (32%) say that household energy is already unaffordable in the UK^[3]
- 69% of people say that the Government has not struck the right balance between 'greening' energy supplies and households being able to enjoy affordable energy^[4]
- Government policy and £200 billion investment programme^[5] is expected to result in even higher energy bills over the next decade, but 62% of households would struggle to afford increases of as little as £30 a month^[6]
- £1,500 a year on energy is the tipping point at which 77% of households will be rationing their energy, 59% will be going without adequate heating and 36% will be forced to turn their heating off entirely^[7]
- The average household energy bill is now £1,293 a year^[2] – just £207 or 14% short of the £1,500 'affordability ceiling'^[7].

Britain is on the brink of an affordability crisis when it comes to household energy, according to new research out today by uSwitch.com, the independent price comparison and switching service. Almost a third of consumers (32%) say that energy is already unaffordable in the UK^[3] while 69% say that the Government has not struck the right balance between 'greening' energy supplies and households being able to enjoy affordable energy^[4].

The findings are a wake-up call to the Government, suggesting that many householders cannot afford any further increases to their energy bills and casting doubt over their ability to help foot the bill of the Government's ambitious carbon reduction plans.

The country faces a £200 billion investment programme which includes the cost of cutting carbon and switching to renewable generation^[5]. But already over a quarter of households (28%) are struggling to afford their energy bills^[1] after a year of hefty price increases which have seen the average household energy bill hit an eye watering £1,293 a year^[2].

Many are already paying as much as they can afford leaving little or no capacity to absorb any further increases. In fact, six in ten households (62%) would struggle to afford an increase of as little as £30 a month^[6]. The same increase would see 63% of households forced to cut back on their energy use^[8], adding to those who are already forced to self-ration.

Importantly, the research suggests that there is an ‘affordability ceiling’ and the tipping point is when bills hit £1,500 a year^[7]. Almost six in ten people (59%) think that energy will become unaffordable in the UK if the average bill hits £1,500 a year^[7]. And the impact on households will be severe. Once bills break through this ceiling over three quarters of households (77%) will be rationing their energy use, 59% will be going without adequate heating and 36% will be forced to turn their heating off entirely^[7].

Incredibly, the UK is only a small step away from seeing this. The average household energy bill would only need to go up by £207 or 14%^[2] for the country to hit the £1,500 ‘affordability ceiling’.

The household energy ‘affordability ceiling’ (N.B. average household energy bill today is £1,293 a year):

	£1,000 a year	£1,500 a year	£2,000 a year
Rationing energy use	43%	77%	88%
Trying to reduce bills through energy efficiency measures	53%	84%	91%
Going without adequate heating	30%	59%	75%
Turning heating off entirely	18%	36%	55%
Cutting down spending in other areas, such as food	26%	54%	70%
Going into debt to pay energy bills	13%	27%	41%
Going onto a prepayment meter (PPM) to keep a lid on costs	10%	22%	33%
Installing a wood burner or alternative method of heating	14%	26%	39%

Source: uSwitch.com

Ann Robinson, Director of Consumer Policy at uSwitch.com, says: “This is a wake-up call and the clearest evidence yet that the UK is on the brink of an affordability crisis when it comes to household energy. We are now just £207 or 14% away from hitting an affordability ceiling after which consumers will start rationing their usage as though they are living in the third world.

“The facts speak for themselves: almost 7 million households living in fuel poverty, a third of people saying that energy is already unaffordable in the UK and over a quarter already struggling to afford their bills. And sadly that isn’t the end of it – we are facing a £200 billion shopping list of investment required to secure our longer-term supply, cut carbon, boost energy efficiency and roll-out smart metering into all homes. Unfortunately for consumers, British households can expect to be footing the bill. I would urge the Government to calculate the full cost that will be passed onto household energy bills and to then think again about the impact on affordability in the UK.”

At what point will energy become unaffordable in the UK?

Annual bill size	% consumers who agree	Total % who would find it unaffordable
It’s already unaffordable	32.2%	32%
£1,300 a year	5.8%	38%
£1,400 a year	5.0%	43%
£1,500 a year	15.6%	59%
£1,600 a year	5.6%	64%
£1,700 a year	3.6%	68%
£1,800 a year	4.1%	72%

Source: uSwitch.com

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

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Notes to editors:

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.

1. In response to: ‘Currently how would you describe your household’s ability to afford energy bills?’ 7.2% responded ‘very difficult (e.g. have had to go into debt or are behind with bills or have had to leave bills unpaid)

and 20.3% said 'Fairly difficult (e.g. struggle to afford the bills/have had to use a prepayment meter)'. These add up to 27.5% who are struggling to afford their energy bills.

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 suppliers and all regions.
3. 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'. For other responses see the table 'At what point will energy become unaffordable in the UK?' in the press release above.
4. In response to: 'Households currently pay around £84 a year on their energy bills in different environmental taxes. This is expected to increase as Government commitments come into effect. Which of the following statements do you agree with most?' 8.8% of respondents said 'The Government has struck the right balance between 'greening' our energy supplies/reducing carbon and households being able to enjoy affordable energy.' 68.5% said 'The Government has not struck the right balance between 'greening' our energy supplies/reducing carbon and households being able to enjoy affordable energy.' 22.7% of respondents said 'Don't know'.
5. Energy UK and Ernst & Young September 2011: <http://www.energy-uk.org.uk/press-releases/630-ernst-a-young-find-energy-industry-contributes-p28-billion-to-the-uk-economy.html>
6. In response to: 'How much would your energy bills need to go up by before affordability would become a concern for you?' 62% made up of: 20.4% who said 'Nothing – affordability is already a concern', 7.6% who said 'up to £10 a month', 16.5% said '£11 - £20 a month' and 17% said '£21 - £30 a month'.
7. The £1,500 affordability tipping point is determined in two ways. Firstly, this is the point at which more than half of consumers (59%) believe energy will become unaffordable (see point 3 above and the table 'At what point will energy become unaffordable in the UK?' in the press release above. Secondly, £1,500 is also the point at which there is a marked difference in consumer behaviour (see table in the press release above: The household energy 'affordability ceiling'. This is based on responses to the following question: 'Following recent price increases, the average household energy bill is now over £1,200 a year. How much would your yearly energy bill have to be before you would consider the following actions....')
8. In response to: 'How much would your energy bills need to go up by before you would be forced to cut back on your energy use?' 63% made up of: 29.1% who said 'Nothing – I've already been forced to cut back on my energy use', 8.2% who said 'Up to £10 a month', 13.9% who said '£11 - £20 a month' and 11.8% who said '£21 - £30 a month'.

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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