



Future Energy Associates

**Warm**

**This**

**Winter**

***Tariff***

***Watch***

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**April 2024**



# Executive Summary

## State of the market

- Last quarter, the energy market continued to reopen, with major suppliers offering multiple fixed tariffs in response to a sustained drop in wholesale prices. It is not unusual for some suppliers to add in new fixed deals every week. Single fuel and bundled tariffs are notably becoming more competitive.

## Fixed Tariffs Watch:

- The Fixed Tariff Ranking Table showcases a range of fixed energy tariffs from various suppliers, each with distinct features. It finds that there are 5 fixed tariffs worth considering. As at 04/03/2024 these include Utility Warehouse - Fixed Saver 16, Scottish Power - Flexi May 2025 TL1, Utility Warehouse - Fixed Saver 16, Co-operative/Octopus Energy - Co-op/Octopus Loyal 12M Fixed March 2024 v1, Octopus Energy - Octopus 12M Fixed March 2024 v1.
- The most expensive of the fixed tariffs was the EDF Energy Essentials 2yr Apr 26 v2 and the Ecotricity 2 Year Fixed Green Electricity V24.1 fix, which cost £1690 and £1,712 a year for a typical household and would leave bill payers £62 and £84 worse off than the price cap and come with exit fees of £250 and £300 respectively.

## Regional Tariff Variation

- Households in the Manweb region (Merseyside, North Wales and parts of Cheshire) face an electrical standing charge of 65.24p/day, which is substantially higher than London's 41.37p/day, leading to an annual difference of about £87.08.

## Exit Fees

- Exit fees have dramatically increased from £42.06 in Q1-2021 to a peak of £187.21 by Q2-2024 (a 345% increase), posing a barrier to consumer market engagement.
- Of the 383 fixed tariffs that could still have households on, the average exit fee cost is £143, and 256 (67%) have exit fees more than £100.

## Are energy suppliers purposely not wanting customers in certain regions?

- Evidence suggests Outfox the Market is pricing out households in Scotland's DNO 8 (Scottish Hydro) region, with significantly higher charges compared to other regions.
- Currently, the fixed tariff 'Fix'd Dual Mar24 v1.0' offered by OutFox the Market in the Scottish Hydro region, costs £2,413 for an average consumption household. This is £716 more expensive than the Ofgem Price Cap in that region.





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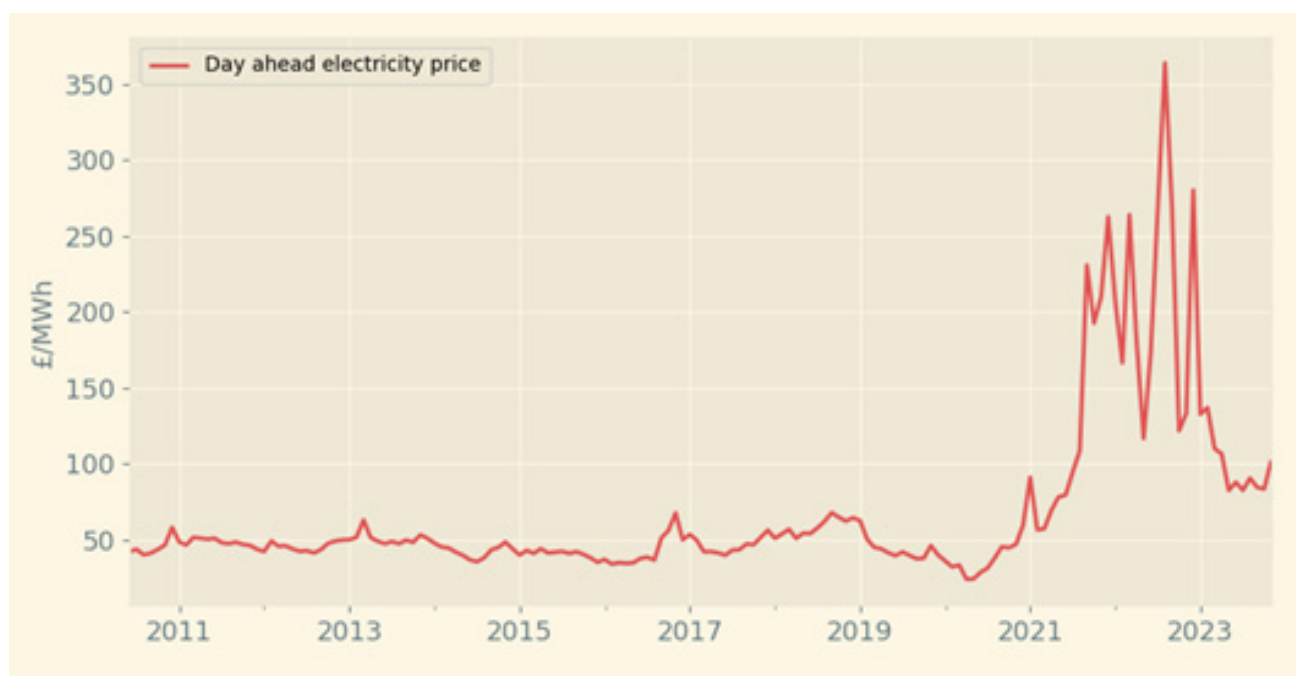
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# Introduction

## Background to the retail market

In August 2022, wholesale energy prices reached a peak, resulting in costs that were approximately ten times higher than those in the summer of 2019 [1]. This surge was attributed to a myriad of interconnected factors, including the Russia-Ukraine conflict and the consequential decision by Western European and UK governments to cease their reliance on Russian gas supplies, coupled with French nuclear reactors going offline, which in turn heightened gas consumption.

Both gas and electricity prices are intrinsically linked; gas still contributes significantly to electricity generation in Great Britain, and often sets the marginal price in pay-as-clear wholesale markets.



*Figure 1: Electricity wholesale prices*

Rising wholesale prices, the prices at which suppliers purchase energy from the grid, inevitably translated into increased retail prices for consumers, albeit with a time lag. Consequently, the winter of 2022-23 saw retail energy prices peak, requiring the government to intervene and cap average direct debit dual fuel tariff prices at £2,500. However, when combined with underinvestment in energy efficiency measures over recent years, which results in higher energy consumption, the government support was insufficient for many. The result was that millions of people spent the winter in cold damp homes [2]. In 2023, the Department for Energy Security and Net Zero (DESNZ) projected that, based on its limited definition of fuel poverty, 14.4% of households would experience fuel poverty in England, a rise from 13.1% in 2021 [3]. Prices for consumers remain high. While an environment with stability and low risk for energy suppliers is desirable, this must be balanced with fair and transparent prices for consumers.





Since peaking in August 2022, both electricity and gas wholesale prices have seen a decline of over 50%. Although this is certainly good news for households, the levels of energy bills remain around double what they were in winter 2020/21. The reintroduction of a competitive retail energy market presents its own set of challenges. Households now face the difficult task of navigating numerous suppliers and tariffs to find the best fit for their needs.

The outlook for domestic prices in 2024 is looking significantly more positive than previously expected. Various global and regional factors, such as the Israel-Hamas conflict, LNG production issues in Australia, and pipeline disruptions, have failed to significantly impact energy prices for the UK market so far. Instead, the mild winter and higher-than-expected European gas storage levels have caused wholesale prices to decline significantly which is being reflected in forecasted price caps for Q2 onwards (Q3-24 £1,560, Q4-24 £1,631, Q1-25 £1,634). However, forecasts of energy prices remain subject to significant uncertainty and the eventual price cap values could deviate significantly from current predictions.

## Objective, Purpose, and Scope of the Report:

This report, commissioned by the 'Warm This Winter' campaign, delves into the UK's retail energy market, assessing how retail energy prices have responded to significant changes in the wholesale energy sector. The data used for this report is accurate as of April 4th, 2024 and is sourced from Future Energy Associates' retail tariff database, which encompasses all tariffs across England, Scotland, and Wales.

The primary goal of this report is to investigate how retail energy prices have adjusted to decreasing wholesale prices. In doing so, the report evaluates the roles of the UK Government, the energy regulator Ofgem, and energy suppliers in this transition. Specifically, the report also looks to ascertain whether these entities are ensuring households reap the benefits of falling wholesale prices and to pinpoint any areas necessitating further action or refinement.





# Market and Policy Overview

## The current state of the market:

Since April 2023, the domestic retail energy market has seen a resurgence, allowing suppliers to offer competitive tariffs that are profitable for their business while also expanding their customer base. A notable indicator of this trend is the increase in the number of fixed tariffs available to households, which has seen a consistent growth quarter-on-quarter.

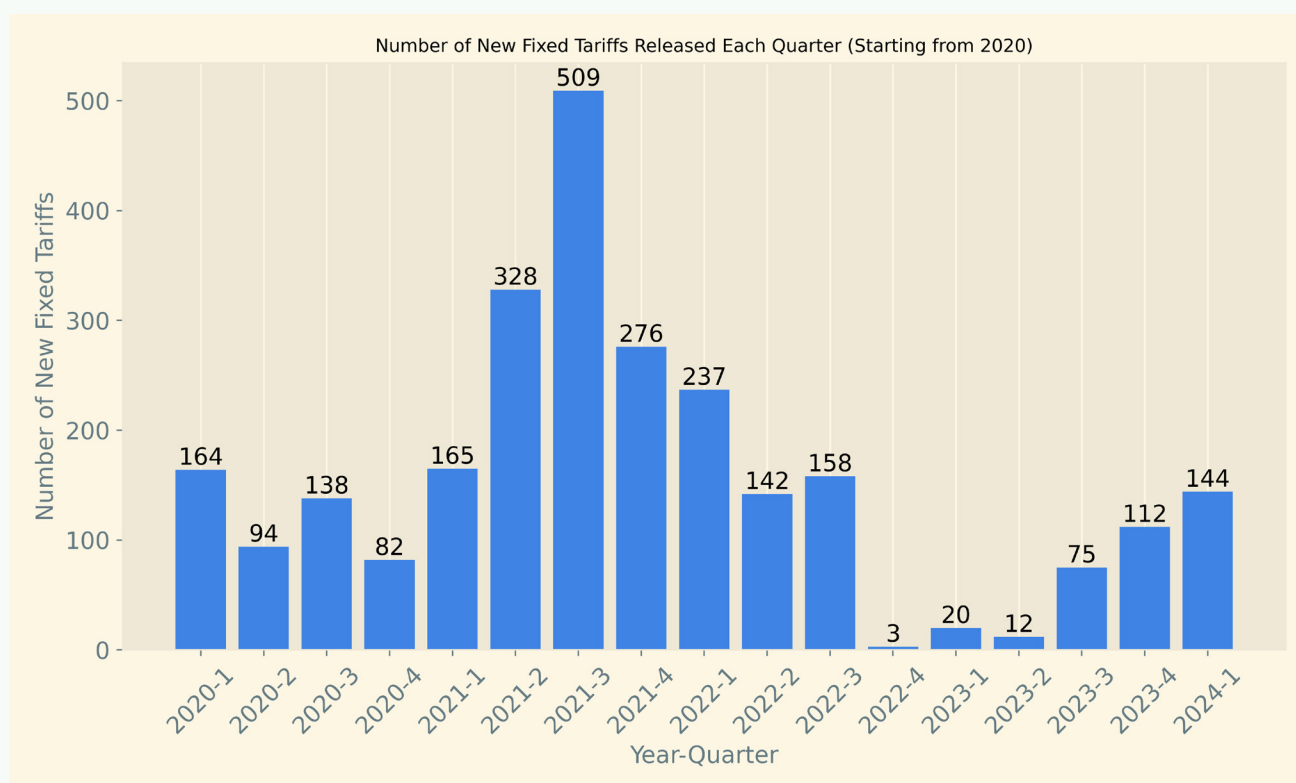
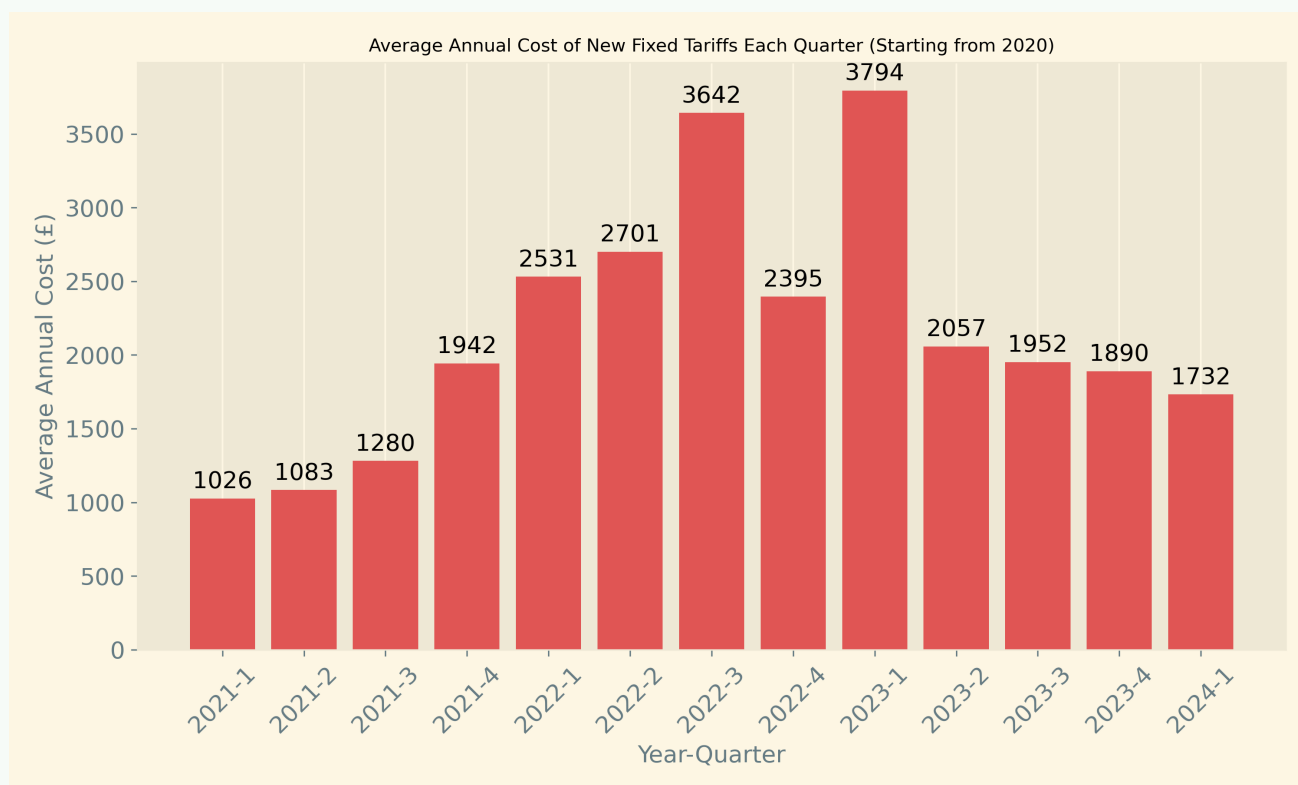


Figure 2: Number of New Fixed Tariffs(Data sourced from Future Energy Associates Tariffscanner Database)

While the expansion in choice is indicative of a recovering market, it is important to note that among the fixed tariffs available, only a small fraction were likely to result in cost savings for households over the duration of the contract. The majority of these tariffs primarily benefited the suppliers, catering to households that prioritise price stability over cost savings. These findings suggest that while the increased number of fixed tariffs provides more options to consumers, their potential to offer financial benefits to households is limited. This is presented on the below bar chart which demonstrates that the average annual cost of fixed tariffs released in the last 2 years are significantly above the current average price cap.



## Price Analysis

The Price Cap is enforced by Ofgem, the energy regulator for Great Britain, and sets the maximum amount that energy suppliers can charge households for their standard variable ("default") tariffs. Crucially, this means that fixed tariffs are not regulated by the Ofgem price cap. The price cap applies to unit rates and standing charge, however is typically expressed as an annual value. This average consumption value was reduced to 2,700 kWh/year of electricity and 11,500 kWh/year of gas [4] as of 1st October 2023. For example, the current January price cap is set at £1,690 per year for dual fuel tariffs, paying by direct debit, and consumes the 'typical medium' amount of energy, as defined by Ofgem under the new consumption values. It is also worth stressing that households that consume more energy than this will have annual costs which exceed the price cap.

In this report, we consider domestic tariffs, and all the annual costs reflect the energy usage of a typical medium household as specified above - using the new Ofgem typical consumption values. For households on Economy 7 tariffs, we assume the same energy consumption level, with 42% of electricity usage occurring during night rate hours. These tariffs apply specifically to electricity and have different unit rates during the day and at night. The night rates are cheaper to encourage off peak electricity use, when overall electricity demand is lower. Therefore, the day rates can exceed the price cap as long as these are balanced out by lower night rates.





## Decreasing Prices

Throughout 2023 and into the first half of 2024, households experienced a significant reduction in energy costs, witnessing a notable shift in both variable and fixed tariffs, counteracting the previously escalating trend. This period was marked by a considerable decrease in prices, a pivotal change during times of high energy usage. However, as we transitioned into 2024, this pattern slightly diverged; fixed tariffs continued their downward trajectory, albeit at a slower pace, while variable tariffs saw a modest rise following the January energy price cap adjustment, underscoring the absence of prior extensive support measures.

The analysis highlights a pronounced decline in retail energy rates over the last year, extending into the second quarter of 2024, with intricate fluctuations in pricing dynamics as the months passed. For variable tariffs, there was an overall drop of about 8% in electricity prices from £1,054 in January 2023 to £969 by January 2024, and gas prices fell by approximately 23.5% from £1,244 to £952 over the same period. Despite this, both electricity and gas rates under variable tariffs recorded a slight increase by the second quarter of 2024.

In contrast, fixed tariffs displayed a more uniform decline. From the first quarter of 2023 to the second quarter of 2024, the average total cost on fixed tariffs decreased substantially from about £3,794 to £1,671, a reduction of nearly 56% within a year. This decrease was evident in the significant drop in both electricity (from around £1,396 to £865) and

gas costs (from £2,408 to £806), with the decline persisting into the second quarter of 2024.

The transition from the fourth quarter of 2023 to the second quarter of 2024 saw both fixed and variable tariffs undergo slight but noteworthy adjustments. Fixed tariffs experienced a continuous, though marginal, decrease in overall annual costs, moving from £1,889.81 to £1,671, led by further reductions in the unit rates for gas and electricity. During this period, the average cost of electricity under fixed tariffs was reduced from £959 to £865, and gas costs dropped from £932 to £806.

Variable tariffs followed a similar trend. The overall average cost for variable tariffs reduced from £1,817 to £1,702. This reduction was mirrored in both the electricity and gas components of the tariff: the average cost of electricity under variable tariffs fell from £925 to £890, and the average cost of gas reduced from £892 to £819.

Despite the general decline in energy costs, it is imperative to recognise that retail energy prices are still at relatively high levels. Moving past the colder months of early 2024, households are confronted with the challenge of managing these costs without the broad support packages previously available and with the wider cost of living pressures continuing. This ongoing situation accentuates the critical need for energy efficiency and strategic financial planning in household energy management.

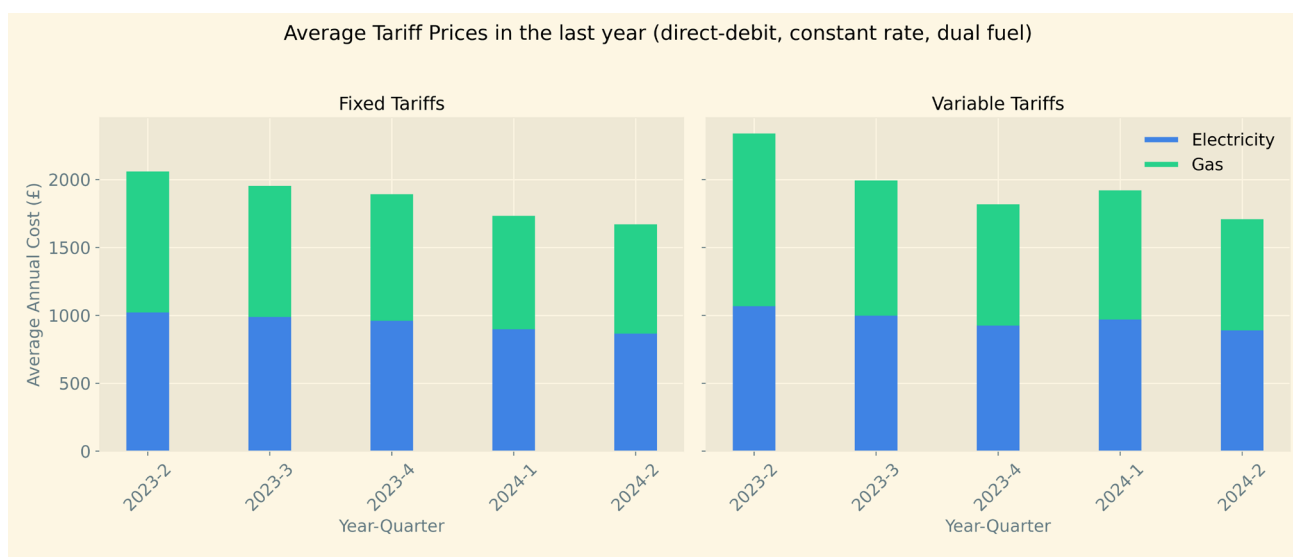


Figure 3: Average annual cost for fixed/variable a medium-use household on from 2023 Q2 onwards



Payment methods continue to play a significant role in shaping consumer energy costs, impacting financial planning and annual budgets into mid-2024. The latest tariff data highlights the distinctions between fixed and variable tariffs for each payment method, reflecting a nuanced landscape of energy costs. For fixed tariffs, customers using Standard Credit (CAC) face a combined annual average cost of £1,763 for gas and electricity. Those opting for Direct Debit (DDM) see a more favourable combined average of £1,673 annually, indicating a 5.1% cost advantage over Standard Credit. Meanwhile, Prepayment (PRE) customers have the lowest combined annual average at £1,634.

Under variable tariffs, the cost distinction between the payment methods is similar. Standard Credit (CAC) users encounter a higher combined annual cost of £1,802. Direct Debit (DDM) customers enjoy a lower average at £1,695, while Prepayment (PRE) users have an annual cost of £1,641. These figures underscore the premium that Standard Credit users pay across both fixed and variable tariffs, while also highlighting a decreasing cost disparity for Prepayment plan users, particularly in the context of fixed tariffs.

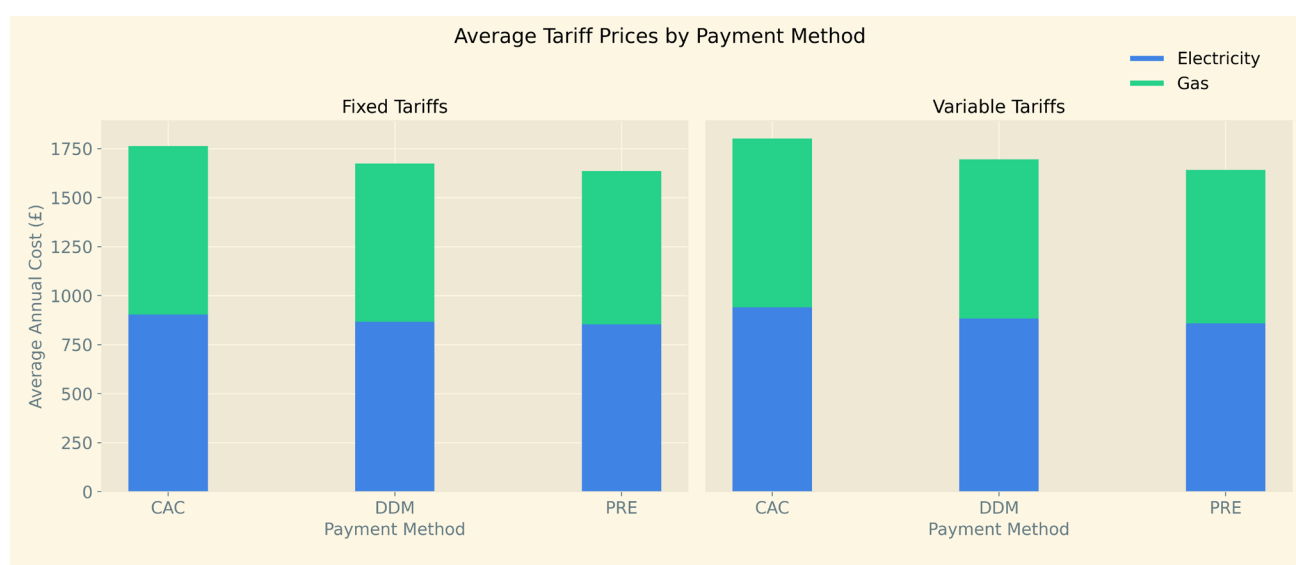


Figure 4: Mean tariff prices, split by payment type, for a medium use household.

## Price variation by region

Electricity is distributed at a local level by distribution network operators (DNOs). Gas is distributed across eight different regional areas, but is accounted for by Ofgem across these same DNO areas. There are 14 geographical areas run by different DNOs which are referred to as DNO regions, and these can be seen in figure 3. Differences in the way power needs to be distributed within these regions, for example because of the length of connections to properties, as well as differences in the way DNOs operate, leads to differences in costs passed onto suppliers. In addition, electrical losses vary by region because of the makeup of the network, meaning more power has to be bought by the supplier for the same amount of energy end-use.

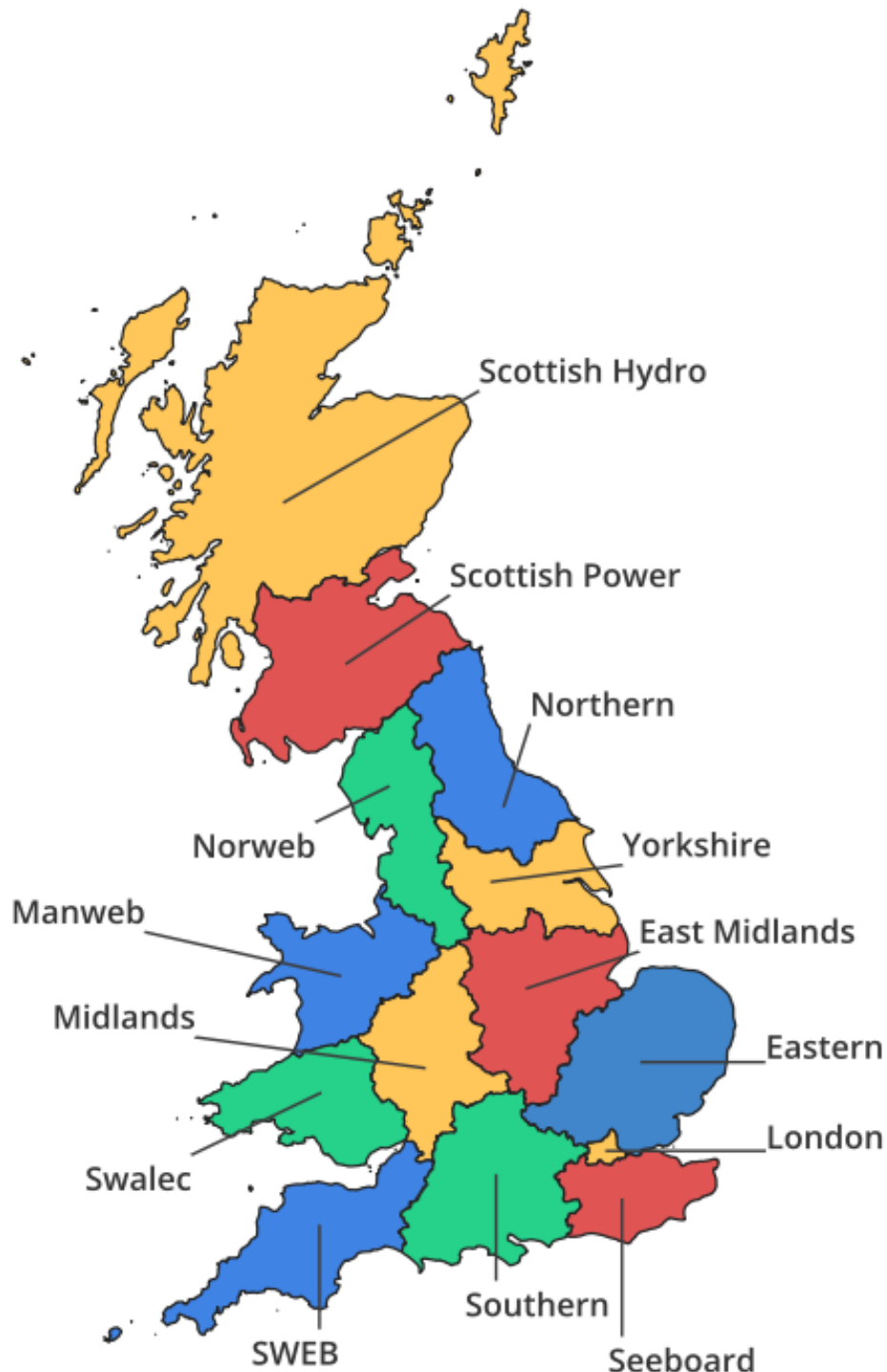
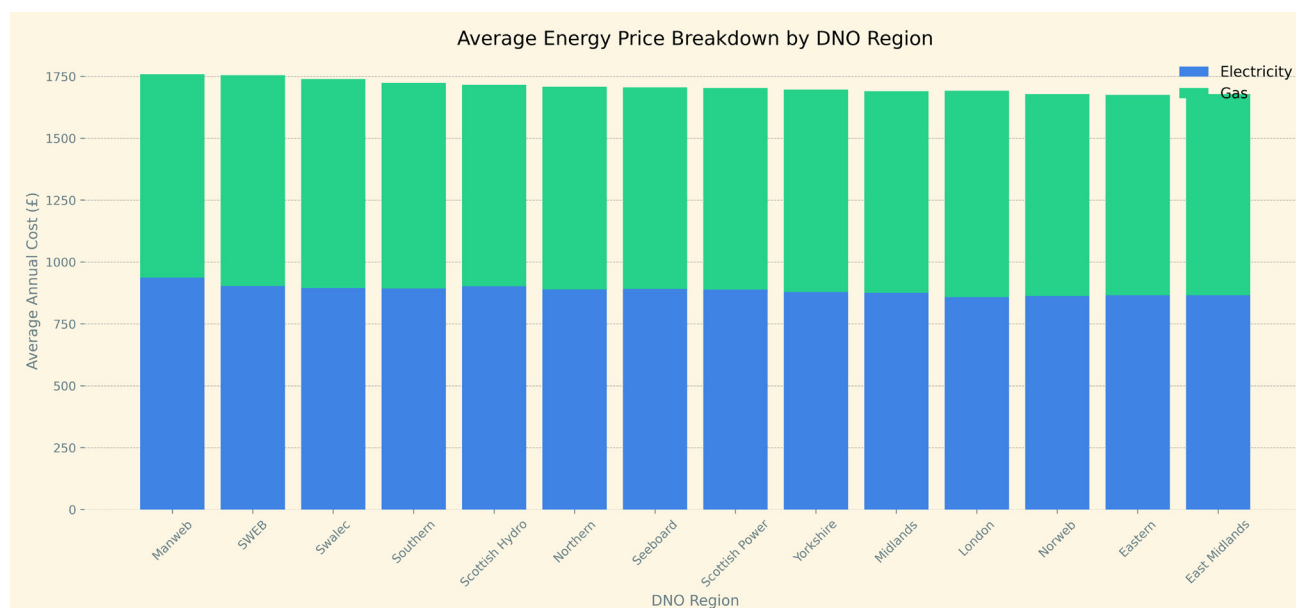


Figure 5: A breakdown of the different DNO regions. Data from [5]



## Overall



**Figure 6:** Annual cost for a medium use dual fuel household, varied by DNO.

The average price of energy continues to show significant regional variations, with recent data underscoring the impact of these differences on consumer costs, particularly through variations in the electrical standing charge. For example, households in the Manweb region, covering Merseyside, Cheshire, and North Wales, face an average electrical standing charge of 65.24p/day, making it one of the highest in comparison to other regions. This rate is substantially higher than that in London, where the average standing charge is 41.37p/day, illustrating a stark regional disparity that can amount to an annual difference of about £87.08.

The disparity in gas prices across regions remains less pronounced but still significant, with the annual cost for gas varying by approximately £38.54 between the least expensive region (East Midlands) and the most expensive (SWEB). This difference highlights a smaller, yet impactful, regional variance in gas costs compared to the more substantial differences observed in electrical standing charges.

Such regional variations in energy costs not only affect the annual financial planning of households but also reflect the broader complexities and inequalities within the energy market. Consumers in regions with higher standing charges for electricity are faced with unavoidably higher annual energy bills, emphasising the importance of regional considerations in energy policy and consumer advocacy efforts.

## Electricity

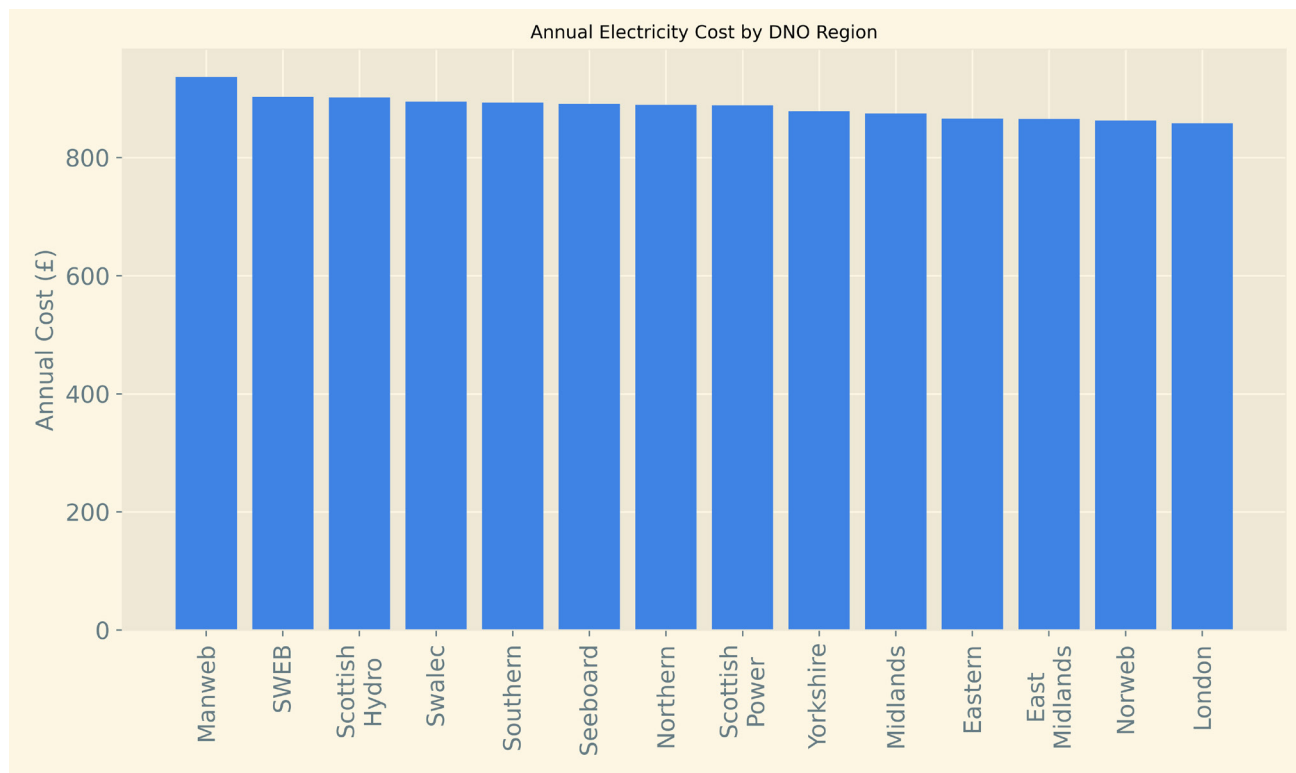


Figure 7: Annual average electricity costs by DNO region, for a medium-use household.

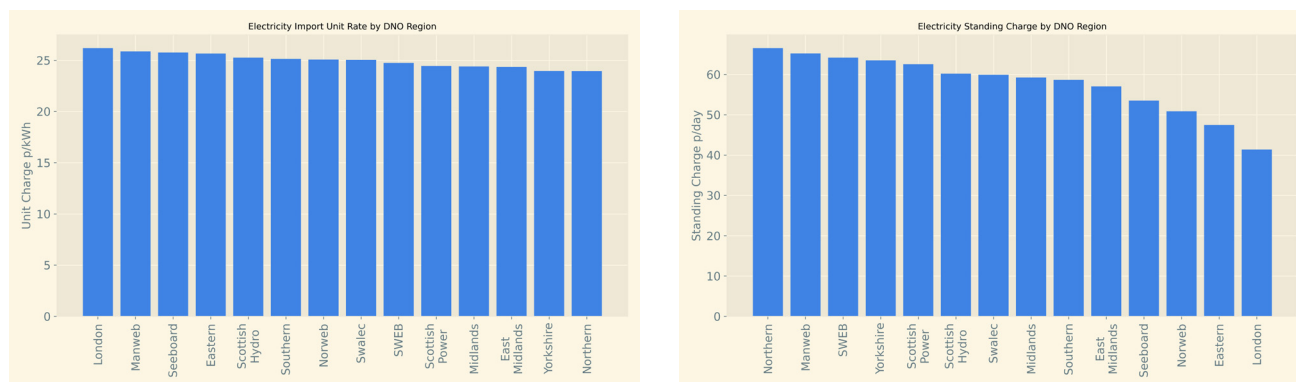


Figure 8: Electricity Prices: *Left*: Variation in electrical unit rate by DNO region. Note that in the case of Economy 7 tariffs these figures only take into consideration the day rates. *Right*: Variation in standing charge by region.

## Gas

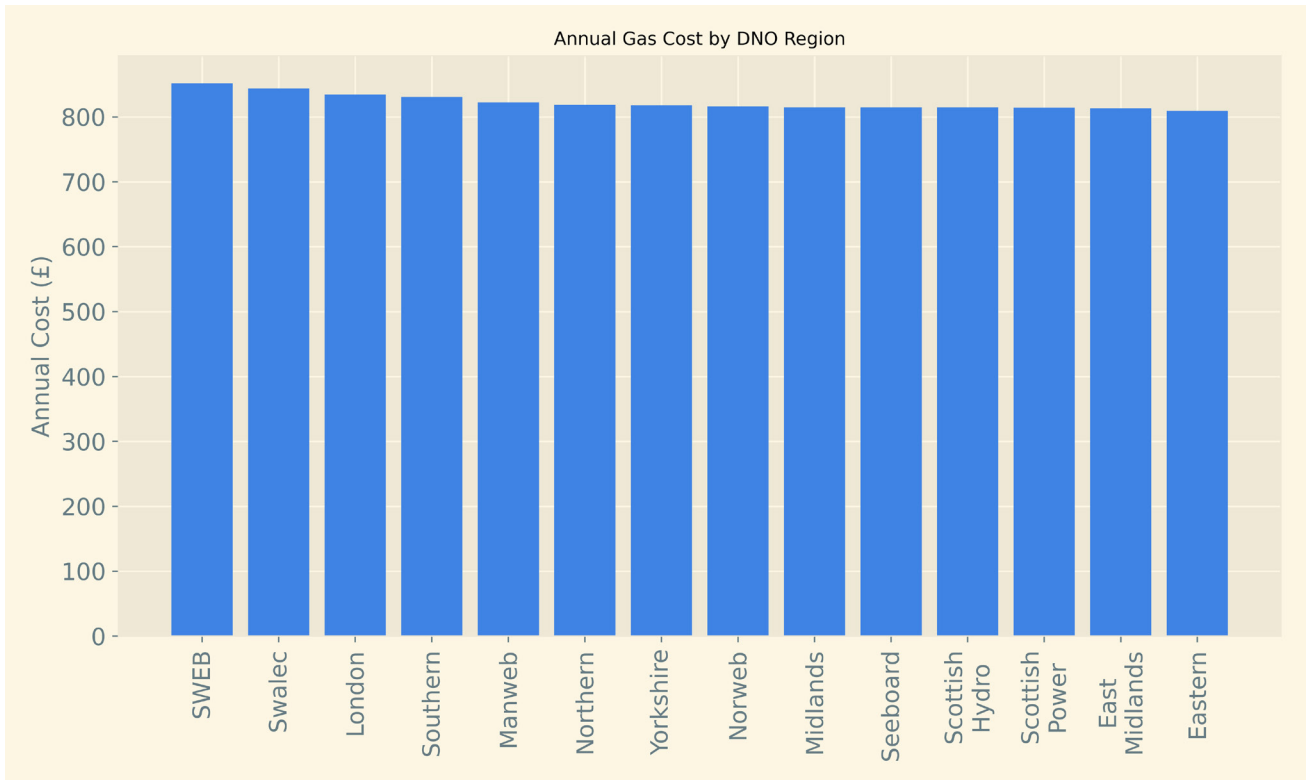


Figure 9: Annual Gas cost per DNO region for average consumption households

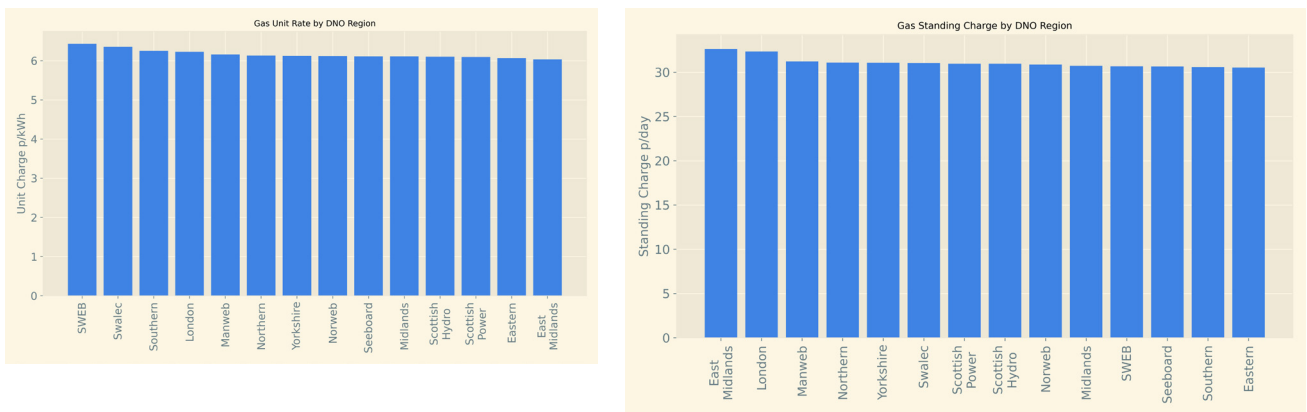


Figure 10: Left: unit rate variation. Right: standing charge variation



# Tariff Tracker

In this section, we explore the most cost-effective energy tariffs for average consumption households using standard metres and paying by direct debit. Against the backdrop of fluctuating price caps, we examine the market's cheapest fixed and variable tariffs. We will compare these against the current price cap and the forecasted reductions for later in the year. Our analysis aims to identify valuable deals for households and provide guidance on when to consider fixing tariffs. We also define what rates constitute a 'good' fixed tariff deal, helping households navigate the complex energy market efficiently.

| Cap Period                           | Price cap on new typical use figures                 |
|--------------------------------------|--|
| 1st April 2024 to 30 June 2024       | £1690  |
| 1st July 2024 to 30 September 2024   | £1560 a year down 7.69% compared to current cap      |
| 1st October 2024 to 31 December 2024 | £1,631 a year down 3.49% compared to the current cap |
| 1 January 2025 to 31 March 2025      | £1,634 a year down 3.31% compared to the current cap |

## What are the cheapest tariffs on the market?

In this section, we consider what the cheapest tariff on the market is for households with average consumption, with a standard meter, and paying by direct debit.



### Cheapest Variable Tariffs

- Electricity: Fuse Energy (Fuse Saver)
- Gas: Home Energy (Home SVT March 2024 v1)



### Cheapest Fixed Tariffs

- Utility Warehouse - Fixed Saver 16 (Requires Bundling)
- Octopus Energy - Octopus Loyal 12M Fixed March 2024 v1 (Exclusive to existing Octopus Customers. Minimum requirement of 8 months loyalty)



### Price Cap Tracker Tariffs

- Scottish Power: Flexi May 2025 + Boiler Insurance - 3% less than the cap, 25% of the tariff price is variable. Requires boiler cover at £4.50 per month.
- Scottish Power: Help Beat Cancer Flexi May 2025 - Same as price cap, 25% of the tariff price is variable.
- E.ON Next: Next Pledge V4 - Stays 3% less than every cap, zero exit fees.

## What are the most expensive tariffs on the market?



### Most expensive Variable Tariffs

- Ecotricity, GEUK, Good Energy all have their standard variable tariffs that are priced above the price cap of £1690. This is due to their derogation from Ofgem for having 'green' tariffs



### Most expensive Fixed Tariffs

- EDF Energy - Essentials 2yr Apr 26 v2 | Annual Cost £1,690, exit fee £250
- Ecotricity - 2 Year Fixed Green Electricity V24.1 | Annual Cost £1,712, exit fee £300

## When should households consider fixing their tariff?

Households should select a fixed tariff at any **rate at or below the following rates** and should be cautious of any exit fee above £80 for a dual fuel tariff.

Standing Charges: Electric 60.1 p/day, Gas 31.4 p/day  
Unit Rates: Electric 22.5 p/kWh, Gas 5.6 p/kWh

The data suggests that households within **England** should switch to the **Outfox the Market Fix'd Dual Mar24 v1.0** and in **Scotland should switch to Octopus 12M Fixed March 2024 v1** and then switch again in October. However if a household was willing to bundle different utilities the **Utility Warehouse - Fixed Saver 16** could also be an option, but it requires signing up to two additional services for which separate price comparisons would need to be made. For households considering the switch to the now 'Fixed' **Octopus Agile** tariff please refer to this previous analysis run [by FEA](#). For households wanting the benefits of a tracker tariff, the data suggests that households should join the **E.ON Next Next Pledge V4** tariff which guarantees that you will always beat the price cap by 3%.

The graph below shows the savings of switching to the **Octopus/Co-op Loyal 12M Fixed March 2024 v1 compared to being on a variable tariff that is at the forecasted Ofgem Price Cap**. The annual savings would be £1 with the estimated cost of being on the Ofgem Price Cap estimated total to be £1631 and the fixed cost being £1630.

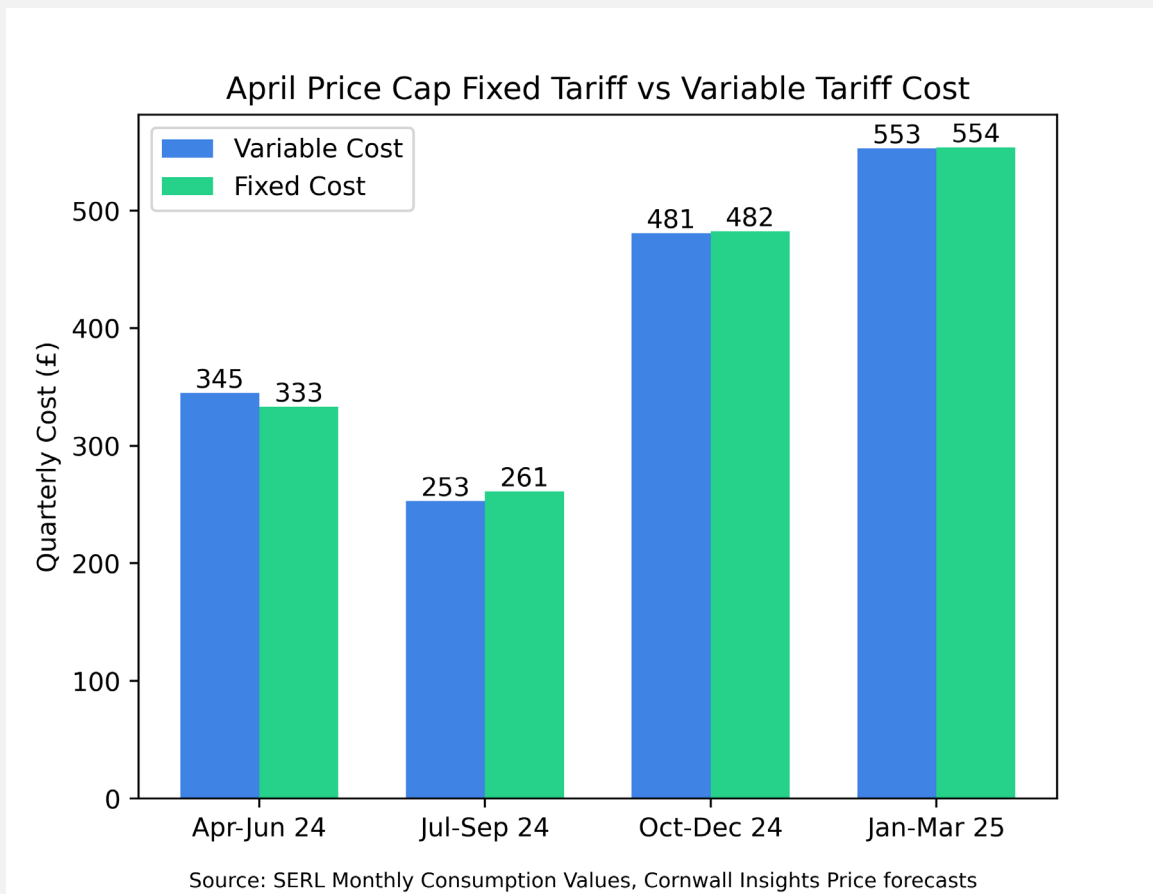


Figure 11: Year ahead forecasts: Fixed Tariff Cost vs Price Cap Forecasts



## Fixed Tariff Ranking Table

| Supplier & tariff   | Unit Rate and Standing Charge | Exit Fees | Average Annual Cost | Savings compared with April Price Cap | Recommended?               | Who can get it?                                |
|---|-------------------------------|-----------|---------------------|---------------------------------------|----------------------------|--|
| Utility Warehouse<br>- Fixed Saver 16                     | E 26.91 p/kwh<br>19.27 p/day  | £150      | £1553               | 8.1%                                  | Yes, if you want to bundle | Whole market, but requires additional products |
|   | G 5.95 p/kwh<br>31.42 p/day   |           |                     |                                       |                            |  |
| Scottish Power<br>- Flexi May 2025 TL1                    | E 27.16 p/kwh<br>50.35 p/day  | £150      | £1614               | 4.5%                                  | Yes                        | Whole market                                   |
|   | G 6.88 p/kwh<br>26.6 p/day    |           |                     |                                       |                            |  |
| Utility Warehouse<br>- Fixed Saver 16                     | E 29.01 p/kwh<br>41.4 p/day   | £150      | £1623               | 4.0%                                  | Yes, if you want to bundle | Whole market, but requires additional products |
|   | G 7.32 p/kwh<br>17.66 p/day   |           |                     |                                       |                            |  |
| ScottishPower<br>- Exclusive Help Beat Cancer Flexi May   | E 23.06 p/kwh<br>53.34 p/day  | £300      | £1627               | 3.7%                                  | No                         | Only existing customers                        |
|   | G 6.1 p/kwh<br>29.59 p/day    |           |                     |                                       |                            |  |
| Co-operative Energy - Co-op Loyal 12M Fixed March 2024 v1 | E 24.13 p/kwh<br>58.03 p/day  | £0        | £1630               | 3.6%                                  | Yes                        | Only existing customers                        |
|   | G 5.74 p/kwh<br>29.36 p/day   |           |                     |                                       |                            |  |
| <b>Fixing Point of £1631</b>                              |                               |           |                     |                                       |                            |  |
| Scottish Power - Green Flexi May 2026 EM1                 | E 25.00 p/kwh<br>45.94 p/day  | £300      | £1634               | 3.3%                                  | No                         | Only existing customers                        |
|   | G 6.18 p/kwh<br>22.19 p/day   |           |                     |                                       |                            |  |



| Supplier & tariff                                | Unit Rate and Standing Charge |                            | Exit Fees | Average Annual Cost | Savings compared with April Price Cap | Recommended?                                   | Who can get it? |
|--|-------------------------------|----------------------------|-----------|---------------------|---------------------------------------|--|-----------------|
| EDF Energy - EDF Essentials 1Yr Apr25v3          | E                             | 23.66 p/kwh<br>60.10 p/day | £50       | £1639               | 3.0%                                  | No   | Whole market    |
|  | G                             | 5.79 p/kwh<br>31.418 p/day |           |                     |                                       |  |                 |
| Octopus Energy - Octopus 12M Fixed March 2024 v1 | E                             | 24.31 p/kwh<br>58.03 p/day | £0        | £1640               | 3.0%                                  | Yes, but only if you want to switch in October | Whole market    |
|  | G                             | 5.78 p/kwh<br>29.36 p/day  |           |                     |                                       |  |                 |

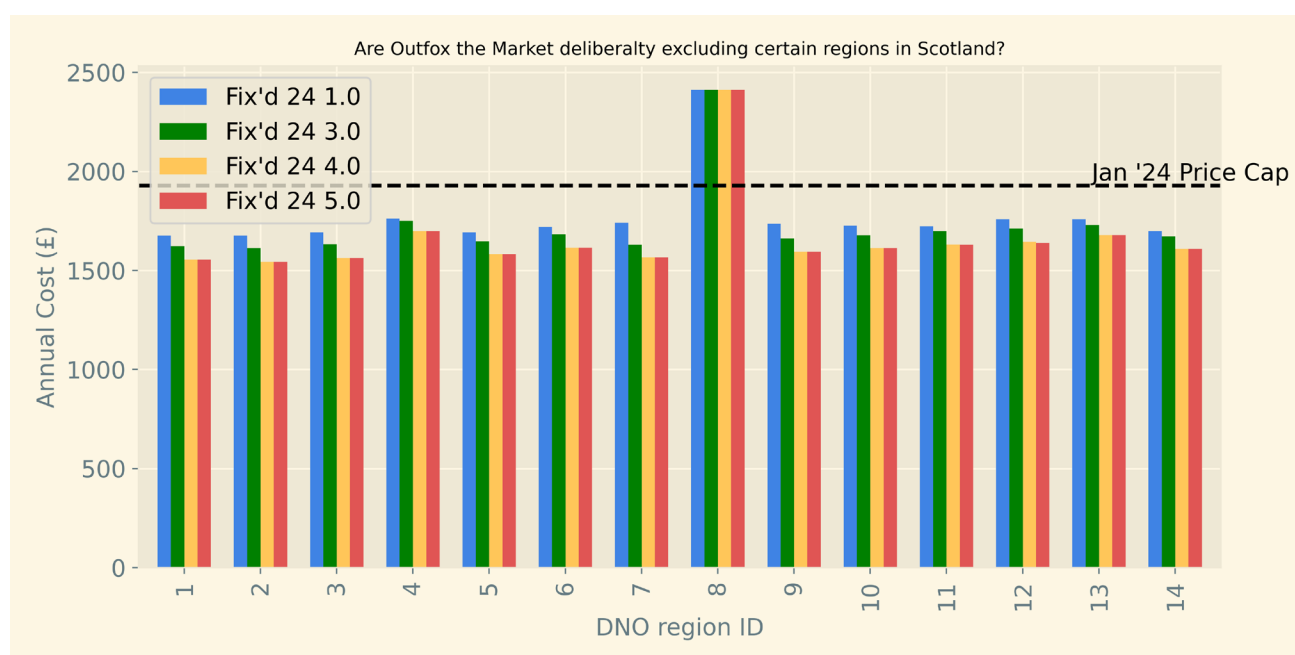






# Deep Dive: Are some energy suppliers pricing out households in certain regions

The data on Outfox the Market's tariffs across various DNO (Distribution Network Operator) regions, particularly focusing on DNO 8 (Scottish Hydro), reveals a pattern of significantly higher charges in comparison to other regions. This pattern is noticeable across different tariff plans, indicating a consistent approach by Outfox the Market towards pricing in the Scottish Hydro area. Specifically, for every version of the "Fix'd" tariff plans offered by Outfox the Market, the electrical standing charge, electrical import unit rate, and gas unit rate are markedly higher in the Scottish Hydro region than in any other region. For example, the standing charge for electricity in Scottish Hydro is exceptionally higher, reaching up to 68.247p/day, which is significantly above rates in other regions, and the electricity unit rate in some plans reaches as high as 37.842p/kWh, far exceeding the average rates in other DNO regions.



When examining the pricing strategy of Outfox the Market, particularly their significantly higher charges in the DNO 8 (Scottish Hydro) region, two primary strategic considerations may be influencing their approach: risk management and market strategy. These factors offer insights into why the energy supplier might set prices at a level that appears to deter consumer uptake in this specific region.

Currently, if a household were to select the fixed tariff 'Fix'd Dual Mar24 v1.0' offered by OutFox the Market in the Scottish Hydro region, you would pay on average £2,413 as an average consumption household. This is £716 more expensive than the Ofgem Price Cap in that region.

## Risk Management

The concept of risk management in the energy supply sector encompasses a variety of factors, including operational challenges, payment collection issues, and the overall economic context of the consumers in a region. Suppliers like Outfox the Market might assess the Scottish Hydro area as higher risk for several reasons:

**Payment Collection Issues:** Regions with a higher incidence of late payments or defaults pose a financial risk to suppliers. To mitigate these risks, suppliers might increase prices to compensate for potential losses or to discourage customers who might pose a payment risk.

**Economic Conditions:** Areas with higher levels of fuel poverty or economic disadvantage might be seen as riskier for energy suppliers. Higher tariffs could, therefore, be a strategy to manage the financial viability of supplying to these areas, although this approach raises ethical concerns about accessibility and affordability of energy.

## Market Strategy

Market strategy considerations involve the supplier's broader objectives and operational priorities, which can influence their pricing decisions:

**Selective Customer Base:** Outfox the Market might aim to maintain a customer base that aligns with their operational capabilities and strategic goals. By setting higher prices in the Scottish Hydro area, they may be indirectly selecting for customers who are less price-sensitive, potentially aligning with a strategy to manage demand or focus on more profitable segments.

**Operational Focus:** If a supplier is focusing on consolidating their presence in specific regions where they have stronger infrastructure or a larger market share, they might deprioritize other regions by setting higher prices. This could be part of a longer-term strategy to optimise operational efficiency and profitability across their network.

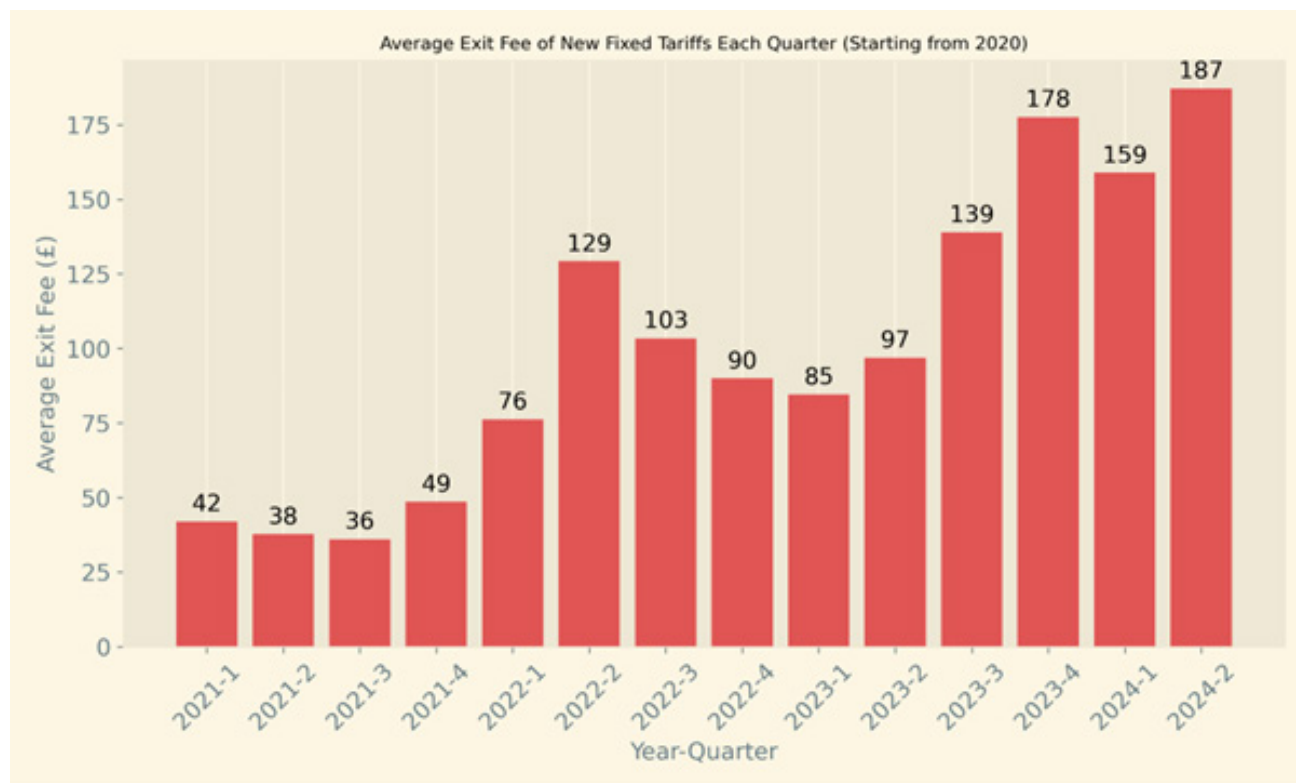
These strategic considerations highlight a complex interplay between the desire to manage operational risks and the pursuit of specific market strategies. However, such approaches raise significant questions about the fairness and equity of energy pricing. High tariffs in regions like Scottish Hydro could restrict access to affordable energy for consumers in these areas, underscoring the need for a balanced approach that considers both the operational needs of suppliers and the welfare of consumers.

Regulatory oversight plays a crucial role in ensuring that pricing strategies do not unduly disadvantage certain consumer groups or regions. While suppliers must manage risks and pursue strategic objectives, regulations like the Ofgem price cap aim to protect consumers from excessive charges, ensuring that any price variations are justified and transparent. The situation with Outfox the Market in the Scottish Hydro region serves as a case study in the challenges of balancing these competing priorities within the energy market.





# Exit Fees: Is it time exit fees came under scrutiny?



The trend of increasing exit fees on energy tariffs from 2021 onwards presents a critical point of analysis in understanding the evolving dynamics of the energy market and its implications for consumer choice and regulatory oversight. This period marks a significant shift towards higher exit fees, coinciding with rising annual costs of energy, which raises pertinent questions about market fairness and consumer rights.



## Analysis of Exit Fee Trends (2021 Onwards)

Starting in 2021, the data illustrates a notable escalation in exit fees. In early 2021, the average dual fuel exit fee stood at £42.06, representing a significant financial consideration for consumers contemplating switching suppliers. This figure escalates dramatically through the subsequent quarters, reaching a peak of £187.21 by Q2-2024. This upward trajectory not only reflects the increasing financial penalties imposed on consumers wishing to exit their contracts but also suggests a growing barrier to engaging actively with the energy market.

Of the 383 fixed tariffs that could still have households on, the average exit fee cost is £143, and 256 (67%) have exit fees of more than £100. This is problematic as 292 (76%) of those fixed tariffs have an annual cost of more than £1690, meaning the household is both worse off than the current price cap and will likely have to pay a high price to switch.

## The Impact on Consumer Behavior and Market Competitiveness

**Consumer Flexibility:** The sharp increase in exit fees effectively restricts consumer flexibility, discouraging them from seeking out more competitive or suitable tariffs. This can lead to consumer inertia, where

customers remain on less-than-optimal plans due to financial barriers to switching.

**Market Dynamics:** High exit fees can stifle the competitive dynamics essential for a healthy energy market. Suppliers may have less incentive to offer attractively priced tariffs if consumer switching is low, leading to a less responsive and innovative market environment.

## The Case for Regulatory Review

The significant rise in exit fees post-2021 underscores the need for a comprehensive regulatory review, focusing on several key areas:

**Assessment of Fairness:** Regulators should ensure that exit fees reflect the actual costs associated with contract termination and do not unjustly penalise consumers for switching.

**Enhancing Transparency:** Clear, upfront communication about the presence and size of exit fees is crucial to enable consumers to make informed decisions about their energy contracts.

**Implementing a Fee Cap:** Introducing a cap on exit fees could prevent them from reaching prohibitive levels, balancing the need for suppliers to cover genuine costs against the right of consumers to switch freely. Capping exit fees at £100 would appear to be a reasonable move for Ofgem to take.

## Conclusion

The upward trend in exit fees, particularly from 2021 onwards, marks a critical juncture for consumer rights and market regulation. With exit fees reaching unprecedented levels, there is a compelling argument for these charges to come under closer scrutiny by regulatory bodies. Such scrutiny should aim to ensure that exit fees do not become a deterrent to consumer engagement with the energy market, thereby preserving the competitive dynamics essential for fair pricing and innovation. The time appears right for regulatory bodies to consider whether the current trajectory of exit fees serves the best interests of consumers and the broader energy market.





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# Appendices

## Appendix 1: Data Analysis details and Assumptions

- Months were assumed to consist of 30 days and 1/12th of a year.
- Years were assumed to be 365 days.
- For the price analysis section, fixed and variable tariffs were combined. There were no new fixed tariffs in April, so it was difficult to compare fixed tariffs over time.
- Only domestic import tariffs were considered.
- Due to discrepancies with how prices are calculated, tariff information from the Supplier "Utilita" was disregarded.
- For tariffs with a dual fuel discount, half the discount was applied to each of the annual costs of gas and electricity.
- Average GB prices are taken from a dataset that is separated into tariffs that have electricity rates and tariffs that have gas rates. This was then grouped by the supplier name, name of the tariff, whether it is fixed or variable, whether it is dual or single fuel, and the payment type. Any tariff which is unique for any of these categories is considered as separate. The average annual prices were then found from these data points. The number of customers on any given tariff is not considered in this data analysis.
- For the DNO region analysis, the separated electricity and gas data was grouped by supplier, tariff name, whether it is fixed or variable, whether it is dual or single fuel, and the DNO region.

