

Estimates of domestic dual fuel energy bills in 2011

Introduction

Between 2010 and 2011, headline average domestic energy bills increased by £36 and £61 for electricity and gas bills respectively¹. These increases have been mainly due to increases in wholesale gas prices. However, there are other factors which influence household energy bills, including annual consumption, payment type and tariff type. Specifically, the type of tariff which a household is on will determine the discounts they receive. There are two main types of discounts that are commonly offered to customers: a dual fuel discount and/or an online discount. This article analyses the effect on average annual bills of dual fuel discounts, and online savings in respect of dual fuels.

Background

The data used for this analysis are taken from the Domestic Fuel Inquiry (DFI), which is also used to produce the domestic energy statistics published in Quarterly Energy Prices (QEP). The statistics produced from the data set include average annual domestic energy bills for gas, standard electricity and Economy 7 electricity, and customer number tables, by region and payment type. To estimate average annual bills, fixed consumption levels of 18,000 kWh for gas and 3,300 kWh for standard electricity are used. For Economy 7 electricity, 3,000 kWh of daytime consumption and 3,600 kWh of night consumption are assumed. Further details on these consumption assumptions can be found in the domestic prices methodology note:

www.decc.gov.uk/en/content/cms/statistics/energy_stats/prices/prices.aspx.

Economy 7 electricity tariffs have a separate unit cost for night consumption and daytime consumption, and are designed for use with night storage heaters. By contrast, standard electricity tariffs have no distinction in price between night and day. Throughout the analysis presented in this article, electricity data refers to standard electricity only, as Economy 7 customers do not usually consume gas. The methodology used to produce the analysis below are detailed in Annex A.

Key findings

In Great Britain:

- In 2011, on average, customers on a dual fuel deal saved between £16 to £54 compared to a customer not on a dual fuel deal.
- In 2011, on average, a customer on a dual fuel and online deal saved £91 and £98 for standard credit and direct debit payment types respectively, compared to a customer on a non dual fuel deal.
- Between 2010 and 2011 annual dual fuel savings have fallen across all payment methods.

Proportion of customers on a dual fuel tariff

In 2011, there were approximately 11.9 million dual fuel customers, which represents about 55 per cent of all gas customers and 54 per cent of all standard electricity customers in Great Britain.

The proportion of gas and standard electricity customers on a dual fuel deal, split by payment method for the last three years, are provided in tables 1 and 2. Whilst well over half of all direct debit customers are dual fuel customers, this figure is much lower for standard credit customers, with only 43 per cent of customers receiving dual fuel discounts.

¹ Estimates taken from Quarterly Energy Prices (QEP), which is available at: www.decc.gov.uk/en/content/cms/statistics/publications/prices/prices.aspx

Table 1: Proportion of gas customers on a dual fuel deal, by payment method, Great Britain, 2009-2011

	Standard Credit	Direct Debit	Pre-payment	Total
2009	37%	63%	47%	51%
2010	39%	60%	51%	52%
2011	43%	62%	51%	55%

Table 2: Proportion of standard electricity customers on a dual fuel deal, by payment method, Great Britain, 2009-2011

	Standard Credit	Direct Debit	Pre-payment	Total
2009	37%	64%	41%	51%
2010	39%	60%	43%	51%
2011	43%	62%	46%	54%

The proportion of dual fuel customers would be expected to be broadly the same for both gas and electricity. For standard credit and direct debit customers, this is the case, but for pre-payment meter customers they differ slightly. This is likely to be because of the smaller number of dual fuel pre-payment tariffs available, which means that any difficulties in identifying whether tariffs are dual fuel or not have more of an impact on the numbers presented above than for the other payment types.

Average dual fuel and non dual fuel bills

The table below shows estimates for dual fuel and non dual fuel energy bills for the last two years. As mentioned previously, the tariff data available prior to 2010 was not detailed enough to enable dual fuel bills to be estimated.

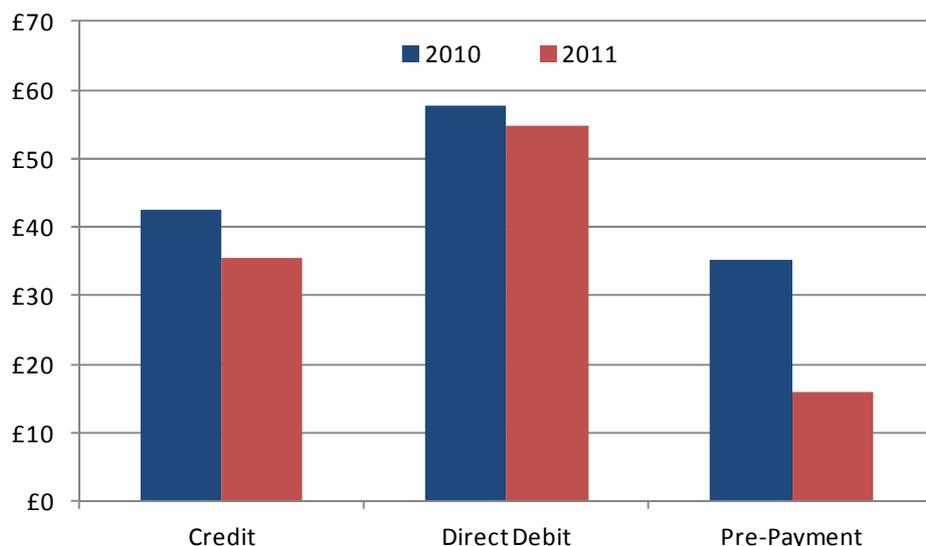
Table 3: Average dual fuel and non dual fuel annual energy bills, by payment method, 2010-2011 (pounds)

	Standard Credit		Direct Debit		Pre-payment	
	DF Bill	Non DF Bill	DF Bill	Non DF Bill	DF Bill	Non DF Bill
2010	1,095	1,138	1,013	1,071	1,099	1,135
2011	1,205	1,241	1,118	1,172	1,219	1,235

In 2011, an average customer on a dual fuel tariff saved £36, £54 and £16 on their energy bills compared to a customer on a non dual fuel tariff for standard credit, direct debit and pre-payment payment methods respectively. The corresponding savings for 2010 were £43, £58 and £36. One possible reason for the fall in dual fuel savings is due to rising energy prices in 2011, but relatively static dual fuel discounts.

Between 2010 and 2011, an average dual fuel bill has increased by £110, £105 and £120 for standard credit, direct debit and pre-payment customers respectively. This compares with slightly smaller increases for non dual fuel customers, of £103, £101 and £100 respectively.

Chart 1 compares the average dual fuel savings for customers between 2010 and 2011 for customers paying for their energy by standard credit, direct debit and pre-payment. Average savings for all payment methods have decreased in 2011 compared to 2010, with the largest fall in savings for pre-payment customers, which decreased by £19.

Chart 1: Average dual fuel savings for 2010 and 2011, by payment method

Users should note that currently only three companies from the big six offer a dual fuel discount to all of their pre-payment customers. Therefore, the dual fuel bills represented here are based on a smaller sample of companies, and the findings seen may reflect this.

Regional analysis

Table 4: Average dual fuel and non dual fuel annual energy bills by region, 2011 (pounds)

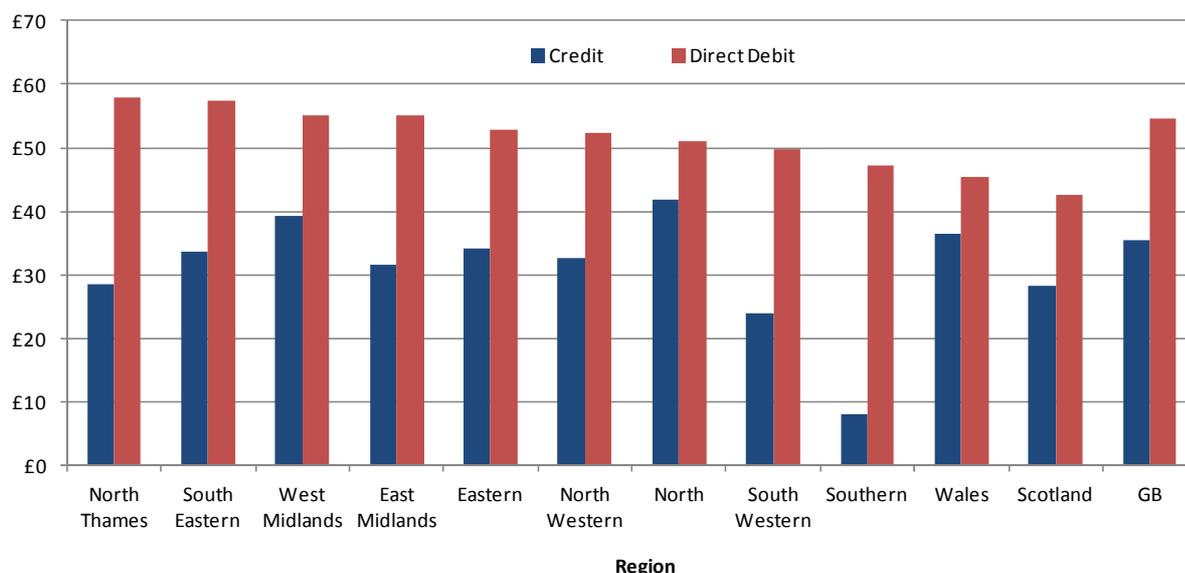
	Standard Credit		Direct Debit		Pre-payment	
	DF Bill	Non DF Bill	DF Bill	Non DF Bill	DF Bill	Non DF Bill
East Midlands	1,190	1,221	1,100	1,155	1,210	1,216
Eastern	1,195	1,229	1,111	1,164	1,209	1,220
North	1,191	1,233	1,105	1,156	1,208	1,216
London	1,210	1,239	1,119	1,177	1,222	1,234
North West	1,208	1,241	1,115	1,167	1,221	1,235
Scotland	1,217	1,246	1,124	1,167	1,224	1,228
South East	1,195	1,229	1,109	1,167	1,193	1,222
South West	1,222	1,245	1,134	1,184	1,227	1,240
Southern	1,225	1,233	1,130	1,177	1,234	1,230
Wales	1,219	1,256	1,137	1,182	1,234	1,237
West Midlands	1,208	1,248	1,119	1,174	1,227	1,238
Great Britain	1,205	1,241	1,118	1,172	1,219	1,235

The regions with the highest average dual fuel bill was Southern for standard credit customers and Wales for direct debit customers. These two regions also had the highest bills for those paying by pre-payment meter. The lowest average dual fuel bills were seen in the East Midlands for both standard credit and direct debit payment customers, and the South East for pre-payment meter customers. However, regional differences are relatively small compared to the difference between payment types.

Differences between dual fuel and non dual fuel bills

Average dual fuel savings were calculated as the difference between the average dual fuel bill and the average non dual fuel bill for a given region and payment type. Pre-payment savings were not included in chart 2, due to the coverage issues mentioned previously.

Chart 2: Average dual fuel savings in 2011, by region



Average Online Bills

Currently 11 per cent of all gas and standard electricity customers pay for their energy online, of which approximately 85 per cent of gas and 76 per cent of standard electricity customers also benefit from a dual fuel discount.

The below table compares the average bill for a customer who is on a dual fuel tariff and who pays their energy bills online with the average bill for a customer who is not on a dual fuel tariff and does not pay for their energy online. Pre-payment customers have not been analysed, because the option to pay bills online is not widely available for pre-payment customers.

Table 5: Average online dual fuel and non dual fuel annual energy bills

	Standard Credit		Direct Debit	
	Dual Fuel & Online Bill	Non Dual Fuel Bill	Dual Fuel & Online Bill	Non Dual Fuel Bill
2010	1,032	1,138	955	1,071
2011	1,150	1,241	1,074	1,172

In 2011, on average customers who were on a online dual fuel tariff saved £91 and £98 for standard credit and direct debit respectively compared to £106 and £116 for 2010.

Users should be aware that the differentials estimated above may contain other discounts and therefore the actual savings may be exaggerated. Unfortunately, it was not possible to control for these other discounts during this analysis.

User feedback

We welcome all feedback from users, therefore if you have any comments or queries regarding this analysis, please contact either Daniel Proctor or Chris McKee using the contact details below.

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Dual fuel bill methodology

Annex A

For the purposes of this analysis, two types of tariffs were identified: dual fuel and non dual fuel. Dual fuel bills were identified using the tariff name as given by energy suppliers in the Domestic Fuel Inquiry (DFI). Those tariffs with the word 'dual fuel' (or some similar variant) in their name were given a marker. Gas and electricity bills for each tariff were calculated using the same methodology as the average bill estimates in QEP. For further information on this methodology, please refer to the domestic prices methodology note at:

www.decc.gov.uk/en/content/cms/statistics/prices/prices.aspx

Combined dual fuel bills were calculated for 2010 and 2011, while customer number information was calculated for 2009, 2010 and 2011. Tariff name information in earlier years was insufficient to distinguish dual fuel bills from non dual fuel bills.

In order to calculate the average non dual fuel bill, the average gas and average electricity bill were estimated separately using only those tariffs (across all companies) that were not marked with the dual fuel identifier. The combined fuel bill was then calculated by adding the average gas bill and the average electricity bill together.

Similarly, to calculate the average dual fuel bill, the average gas and electricity bill were estimated separately using only those tariffs that were marked with the dual fuel identifier. This was made difficult in some cases by the fact that different companies apply the dual fuel discount to different fuels. For example, one company may give dual fuel customers the discount only on their gas bill, whilst another may give the discount on both fuels. Where we were unable to identify whether particular tariffs were dual fuel or not, it has been assumed that there are an equal number of dual fuel customers for both gas and electricity (for each company), and that for the fuel type that the customers do not get a discount on, the average bill of these customers will be equal to the average bill for non dual fuel customers of that company.

Once these combined fuel bills had been created for each company, a weighted average dual fuel bill was calculated across all companies. These weights were created by dividing the number of dual fuel customers from a particular company by the total number of dual fuel customers, given the region and payment type.

For the purpose of this analysis, the following definition of a dual fuel tariff has been used:

An energy deal such that both electricity and gas are supplied by a single company, and a discount is given to the consumer as a result of this.

Companies who supply a customer with both gas and electricity, but do not offer a discount for this, have been treated as non dual fuel for the purposes of this analysis.

Online bill methodology

For the purpose of this analysis the following definition of online customers was used:

An energy deal where the customer manages their account and payment details online instead of receiving a paper bill through the post.

Through a combination of internet research, definitions supplied by companies and internal consultation, a set of indicators have been developed to separate out the online tariffs. These enabled the relative bills and proportions of customers on online tariffs to be estimated.

In the case of both dual fuel and online tariffs, a number of assumptions have been applied in order to undertake the analysis, and revisions to figures may occur if necessary.

Special feature – Domestic dual fuel energy bills

Regional analysis

Combined gas and electricity bills were also created at a regional level. In the United Kingdom, gas supply regions are split into 13 Local Distribution Zones (LDZ), whereas electricity supply regions are split into 15 Public Electricity Supply (PES) zones. These are the regions that energy companies supply DECC with tariff information for in the DFI survey. Unfortunately LDZ and PES regions do not match exactly. Therefore to carry out this regional analysis, some regions had to be combined. The combinations used were created using information from DFI data and geographical sources, and are shown in grey in the table below. Users should note that these region combinations are not exact:

DF bill region	LDZ (Gas) Region	PES (Electricity) region
East Midlands	East Midlands	East Midlands
Eastern	Eastern	Eastern
London	North Thames	London
North	Northern + North Eastern	North East (Northern) + Yorkshire
North West	North Western	North West (Norweb)
Scotland	Scotland	Northern Scotland (Scottish Hydro) + Southern Scotland (Scottish Power)
South East	South Eastern	South East (Seeboard)
South West	South Western	South West (SWEB)
Southern	Southern	Southern
Wales	Wales North + Wales South	South Wales (Swalec) + Merseyside and North Wales (Manweb)
West Midlands	West Midlands	West Midlands (Midlands)

Map 1: LDZ (Gas) Regions:



Source: XO Serve²

Map 2: PES (Electricity) Regions:



Source: Energylinx³

Northern Ireland was not included as dual fuel deals are not yet widely available

² Available at www.xoserve.com/network_map.asp

³ Available at: www.energylinx.co.uk/electricity_distribution_map.htm