

Greenpeace Briefing Paper on Big Six Cut in Prices

Yesterday, Scottish Power became the final member of the Big Six energy giants to announce cuts in their gas prices following steep price hikes last summer. New analysis by Greenpeace of the recent price changes shows that the Big Six are still failing to fully pass on to UK consumers the reduction in the price of wholesale energy over the last 9 months.

The wholesale price of gas currently makes up 47% of a gas bill, while the wholesale price of electricity makes up 46% of an electricity bill. Other costs are transport and distribution, operating costs, the profit margins of the big six, social and environmental costs, metering and VAT. Based on this, the Big Six **should have passed through average decreases of 8.4% for gas and 10.7% for electricity.** However, what we have seen is an average decrease of 3.25% for gas and 1.83% for electricity. The maximum decrease of any company has been 5% for gas and 6% for electricity.

The chart below compares how each of the Big Six suppliers increased the price they charge their consumers in 2011, the discounts they have offered in 2012 and the fall in the wholesale price they are paying for gas and electricity.

	Gas increase %*	Electricity increase %	Gas decrease %	Electricity decrease %
Scottish Power	19	10	5	0
SSE	18	11	4.5	0
British Gas	18	16	0	5
Npower	15.7	7.2	5	0
E.ON	18	11	0	6
EDF	15.4	4.5	5	0
Average	17.35	9.95	3.25	1.83
Wholesale price**			17.8	23.3
* Big Six price increases from August 2011				
** Wholesale gas prices peaked at 73p/th 30/08/2011, they are now 60p/th = 17.8% decrease.				
Wholesale electricity prices peaked at £60/MWh 05/04/2011 and is now £46/MWh = 23.3% decrease.				

The Big Six dominate the domestic energy system supplying 90% of households. They have been [reprimanded by the regulator OFGEM](#) for failing to pass on reductions in wholesale energy prices to consumers as quickly as they rush to push them up – bills go ‘up like a rocket and down like a feather’. The volatile nature of international gas markets offers regular opportunities for this bad practice and OFGEM have called in forensic accountants to shine a light on the process.

GAS PRICES

New Greenpeace analysis shows that the wholesale gas price has fallen by 17.8%, peaking at 73p/th on the 30th August 2011 and then dropping to 60p/th today.



<http://www.consumerfocus.org.uk/news/rest-of-the-big-six-must-be-hot-on-the-heels-of-british-gas-and-sse-price-cuts>

Yet the Big Six energy suppliers have only passed on to their customers an average 3.25% reduction.

ELECTRICITY PRICES

The UK's electricity system is also dominated by gas. Our analysis shows that domestic electricity prices have fared even worse than gas prices. Electricity wholesale prices peaked at £60/MWh on the 5th April 2011. Today the cost of wholesale electricity is £46/MWh, which is a fall of 23.3%, but the Big Six have only passed on an average 1.83% decrease in electricity prices.



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Only six months ago the Big Six energy suppliers raised their prices by an unprecedented average of 17% for gas and 10% for electricity. The failure of the Big Six to now pass on the full reduction in the wholesale price makes this a double whammy for domestic fuel users. Today, UK consumers are faced with paying more for energy that is cheaper and being ripped off with grossly inflated price rises to their bills.

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Key to this issue is a lack of transparency in the Big Six energy firms’ gas and electricity purchase practices. This makes it almost impossible for consumers to know whether or not they are paying a fair price for gas and electricity and has led OFGEM to conclude that a team of forensic accountants is needed to go over the books of these companies. They are expected to report back early this year.

Greenpeace calls for action:

- The Prime Minister should now take personal responsibility for protecting consumers from high energy prices.
- The Government should ensure that measures to help households and industry use less energy are at the heart of its upcoming reforms to the energy market, as the quickest and cheapest way of bringing bills down.
- The Government should open up the electricity market to allow in new industry entrants to stop the stranglehold of the big 6 utilities and encourage new investment.
- Support for clean energy to get the UK off the gas hook and to bring new manufacturing industries and jobs to UK.

Press comment on the findings

Dr Doug Parr Head of Policy at Greenpeace said:

“The small price reductions announced over the last six days by the big 6 energy giants are cold comfort to the millions of households struggling to pay their bills. Greenpeace research clearly shows that the Big Six are passing on only a fraction of the fall in wholesale prices for gas and electricity – by any definition that’s a rip-off.

It’s time for the Prime Minister to forget cosy summits with the energy firms that have failed to deliver any respite, and instead get tough by forcing them to pass on to consumers the full savings rather than make profits from us all.

Ultimately the Government has to wake up to the fact that unless they challenge the vested interests of the energy firms and shift our energy system away from expensive imported gas from volatile parts of the world and onto a more efficient and sustainable footing, consumers and the economy will continue to pay over the odds.”

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