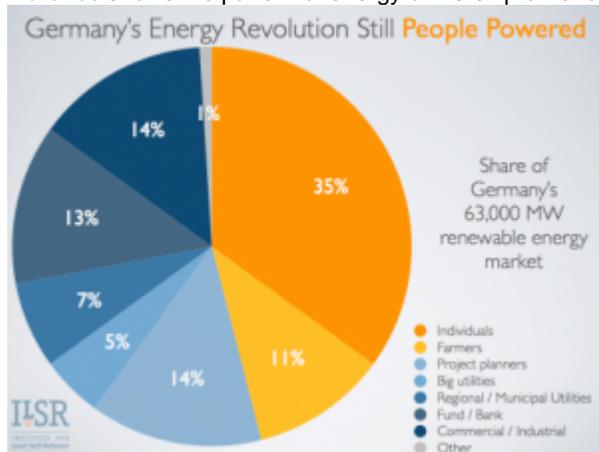


Can we cut energy bills? Part 3.

Posted on November 20, 2013 by admin

In the previous [two posts](#) in this series we examined some of the ideas currently being discussed to cut energy bills. As authors of "No oil in the lamp" we think energy bills are just going to keep going up. We need to stop avoiding that issue and see if there is any way round it. Here are some potential ideas. They get more radical as you read on. **Self help groups** TEARFUND are keen on these in a [development situation](#). The idea behind them is that people band together and gain economies of scale on food and other purchases. Its happening in this country as regards [energy](#). However, consumer groups say the savings are less than if you had switched as an individual. Some of these groups are extending themselves to become community energy companies (see below). The Department of energy and climate change is apparently setting some up. **My verdict:** Could be worth exploring or starting one yourself. The savings seem to vary widely. It probably depends on how good a deal you are on at the moment. The general impression is you can expect about 10% of your dual bill. Not earth shattering but would knock out the latest increase. **Politics:** Motherhood and apple pie, but not the magic bullet in the long term. **Community Energy** As the following graphic from the *Institute for Local Self Reliance* shows the pattern of energy ownership of renewables in other parts of Europe is very different to here.



In Germany most renewable energy is owned by individuals. In

Denmark most wind farms are community owned. There are many advantages to this outlined [here](#). One is members of what are small not for profit companies can expect lower energy bills. There are relatively few schemes in the UK but they have been expanding in number. I have heard speakers from two, at Fintry near Stirling and the Island of Gigha. Both are using the income from wind turbines to do community level energy efficiency and micro-generation. **My verdict:** Could be worth exploring or [starting one yourself](#). However, this is a more complicated and daunting prospect. The economics are probably better in country areas off mains gas, since wind and hydro become possibilities with rapid pay back times, although schemes involving solar PV have been launched in Gloucester, Brixton and Lewes. In the long term such schemes could disrupt the current energy market and give an income stream to help the most vulnerable. **Politics:** The government is very keen. There is a report coming out soon on how to encourage such schemes. **Standing charges and prepaid meters** I had a debate on Twitter with people about whether the green levies are regressive, but standing charges definitely are in my view. One company is charging 26p a day just for a gas connection. The upshot of this is that however little or electricity or gas you use you have to pay something. I've heard people on the radio complaining that they don't use any gas and still have to pay about £90 a year to be connected (nor can they get disconnected). For people who do fall into arrears the companies install a pre payment meter for gas and electricity. Now this can automatically payback their debt as well as paying for their current usage by means of cards which are topped up with money in advance. While I can see that using this means of payback on debt is a good one in principle, people pay higher tariffs for their existing energy use than other customers who pay via direct debit. This is the case for most suppliers and anecdotal reports suggest people are sitting in the dark since they have totally run out of money and cannot pay their energy bills. **My verdict:** This standing charge situation is apparently getting worse as companies simplify their tariffs under pressure from the government. Not all companies charge these, mine doesn't. Switch to one that doesn't. All customers should pay the same for their energy whether its by direct debit via a bank account or by pre-paid meter. Again the supplier I use makes this their policy. **Politics:** Politicians don't seem very interested in these issues. **Price differential** One suggestion that crops up now and again is reducing the price or even making the first x number of units free for everyone. The representative of a consumer group I heard suggested that the green tariffs should be taken off the first x portion of a bill.

As we saw in the last blog post in this series this would be insignificant. I would suggest going the whole hog and making the first x number of units free or very cheap. The question is what is x and how much does it push the remaining units up by? The average electricity use in 2011 was 3300kWh and gas was 16,500kWh (according to Ofgem). I've done the maths on 1000kWh for electricity and 5000kWh for gas using both figures of zero and 3.5p and 1p respectively. I've assumed that knocking the proportion off the bill for the free or low cost portion then pushes up the remaining energy bill by that proportion removed. I've also assumed electricity costs 17.6p/unit and gas 5.5p/unit. So for electricity currently at 17.6p/unit charged at zero pence, the remaining 2300 units would increase by $(1000/3300 \times 17.6) + 17.6 = 22.93$. A simple calculation shows a modest saving on energy bills of £527 compared with £580 without. Calculating the saving on the 3.5p rate is more tricky. I've taken this figure $(1000/3300 \times 17.6)$ and subtracted 3.5p from it and add this figure to 17.6p which gives a rate of 19.4p. The savings are far more significant (£481) with the user paying a bit since the rate for the remainder is not pushed up at much. Doing the same for gas gives a cost of £824 compared with £907 without if the first portion is free. For a portion at 1p the total cost would £797. The savings are more modest as percentages for gas although the 1p figure was plucked out of thin air. Its possible other values would work better. **My verdict:** This idea has merit. The poorest customers would really save if they could keep their consumption to just above the low cost cut-off. The idea would help students and all sorts of people on low incomes keep their energy bills down. It would also encourage conservation. The energy companies are used to differential charging so administratively it would not be impossible and could be introduced this winter. There are some drawbacks though. Would the 1000kWh be spread over the year, by quarters or by the week or in winter? Of course with smart meters the individual customer could choose. Also the standing charge would have to go (hence the high starting price per unit above). **Politics:** Politicians don't seem very interested. **Carbon tax** This is not a response to high energy bills but climate change. Its an idea proposed by Dr James Hansen with whom I had an exchange of views about it at a public meeting. The idea is that fossil fuels are heavily taxed at source. The money is recycled i.e. people are compensated by lower taxation elsewhere in the economy. **My verdict:** This idea has little merit in my view. To be fair the idea is that all countries that are major polluters do it. The main problem is that the poorest people struggling with their energy bills don't pay income tax and lowering consumption taxes may have unintended consequences as far as emissions are concerned. **Politics:** Forget it **TEQ's** Tradable energy quotas or **TEQ's** are a means of rationing energy in a fair and redistributive way. This is what we wrote about them in our [book](#). "*This is a form of carbon rationing invented by economist Dr David Fleming, but since his death taken forward by others.256 In principle the scheme is very simple: all adult members of the population would have an entitlement to a certain amount of energy use each week, given as TEQ units on an electronic card - (similar to the Oyster card used to pre-pay for using the London transport system). Other energy users such as government, industry etc. would bid for their units at a weekly auction. When purchasing fuel, electricity, or any type of transportation tickets, the corresponding energy requirements are deducted from your card. Users who don't use their full entitlement of units can sell the surplus, and if someone needs more, they can buy them. However, the overall number of units issued to everyone falls every year, with the percentage decrease set by the climate change committee.*" **My verdict:** This ticks all the boxes for me. Its fair, effective, redistributes wealth and puts everyone in touch with their energy use. However, its not a short term solution and would be complicated to implement. **Politics:** No recent polling exists on this, but polls in the last decade when it had some political support were positive. Would be a hard sell though, since your carbon allowance would disappear completely over time. In the long term in my view this will have to be introduced. **Conservation** Perhaps we need to ask whether we can heat our buildings as hot in the future and use ever more electricity, as we do at the moment. Not a popular thought, but lots of practical ideas of how to cut your energy use hence and energy bills in our [book](#). Neil

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