Huge UK household energy bills to remain, hammering the poorest disproportionately

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Crippling household energy bills will continue to hit millions in Britain throughout autumn and winter. They will hit the poorest in society disproportionately.

UK household energy bills began to shoot up at the end of 2021, even before the war in Ukraine forced them to record levels. According to House of Commons research published in January, "Average bills were £760 in 2021 compared to £450 in 2020, a 36% real increase." They continued to rise significantly following the outbreak of the war with a typical household now paying a current annual energy bill of £2,074.

On Friday, energy regulator Ofgem announced that the price cap on bills will be lowered slightly for average households from October, but this will still make them unaffordable for many working class families, who will have the choice of eating or heating.

The price cap determines what 29 million households in England, Wales and Scotland pay per unit for their energy. The new price of electricity will be lowered to 27.35p from 30.1p per kWh, and the gas price will fall from 7.5p per kilowatt hour (kWh) to 6.89p.

Based on the new unit costs, from October 1, a typical household will pay an average of £1,923 a year. Many households with larger families or with old poorly insulated homes will pay far more. In comparison, the average household energy bill in winter 2021 was £1,277.

The fall in the unit cost of energy will be immediately offset due to the government ending its universal £400 energy bill support scheme. Forced on Prime Minister Rishi Sunak by mass disconnect and fear of a social explosion over rising fuel bills, this was paid in monthly instalments over winter 2022 to all households, regardless of income or energy consumption. There will also be a rise in the daily standing charge.

A study by the Resolution Foundation found that winter bill costs will *rise for 7.2 million households in England*—more than one in three (35 percent). Within the poorest tenth of households in England, almost half (47 percent) will face higher costs.

The think-tank noted in an August 25 article, "Gotta get through this—Energy bills this winter" that the "headline £200-a-year saving for a typical household" due to the unit cost of energy falling "masks a lot of variation, with the heaviest energy users in line for larger reductions in bills, and some households who use relatively little energy set to see bills rise this winter compared to last year." Authors Jonathan Marshall and Emily Fry add, "In fact, any family with an energy consumption less than four-fifths of the average will see higher bills this winter than last, a situation that applies to around one-in-three (35 per cent) of households in England and close to half (47 per cent) of those in the lowest income decile."

The think-tank warned "these extra costs will be substantial" for many families, noting, "13 per cent of households (2.7 million families) face energy bills rising by more than £100 this winter, a figure that rises to one in four (24 per cent) for the poorest households. And although the Government has increased its Cost of Living payments to £900 during 2023-24 (up from £650 in 2022-23), the rising costs of other essentials—most obviously food bills, which are up by £960 on average since 2019-20—mean this is unlikely to prevent another difficult winter."

The assessment points to "One key group who faced the sharp end of the crisis last winter are generally poorer households who pay their energy bills via pre-payment meters (PPM). This winter, nearly half (47 per cent) of PPM customers are set to pay more to heat their home adequately than last year, with 600,000 of these households needing to pay £100 or more than last year."

Standing charges vary from supplier to supplier. Between October and December 2023, average standing charges for customers on default tariffs will be capped in line with the levels set by regulator Ofgem's overall price cap. On average customers must pay 53.37p per day for electricity and 29.62p per day for gas, excluding VAT, for a typical dual fuel customer paying by Direct Debit. This amounts to an extra £300 on electricity and gas bills every year—up 60 percent in the past two years for dual-fuel bills, and 113 per cent for electricity alone.

Increases in the standing charge will see the working class hit by price rises caused by the chaos inherent in the deregulated energy markets, with energy firms here one week and going bust the next—as the major players consolidate their grip over a multi-billion pound industry. The Resolution Foundation notes that standing charges are rising "to recoup the [multi-billion] costs associated with the wave of supplier failures, consumer defaults, and additional support to shore up energy companies' finances."

Face with criticism over the surge in the cost-of-living Sunak responded with an outburst last week that the working class should be grateful for all his government has done for them. With inflation still at nearly 7 percent and the more accurate RPI measure at 9 percent, Sunak told a business event, "A typical family will have had about half their energy bills paid for by the government over the past several months – that's worth £1,500 to a typical family", before having to acknowledge, "Now you wouldn't have quite seen that because you would have still just got your energy bill, it would have been very high and you'd have been, 'Oh my gosh, what's going on', but what you wouldn't have realised, maybe, is that before that even happened, £1,500 had been lopped off, and the Government had covered it."

The analysis by the Resolution Foundation exposes claims of Tory largesse. It noted that "the Government could point to the fact that it has expanded the Cost of Living Payments scheme in 2023-24 compared to last year", adding "In particular, payments for around eight million families in receipt of means-tested benefits have increased from a maximum of £650 in 2022-23 to £900 in 2023-24, although the rates paid for those receiving the state pension or a disability benefit have not increased this year."

The report emphasised, "But these payments do not represent a silver bullet. Linking eligibility to receipt of a social security benefit means that no payments are received by the estimated 2.3 million households who are in the poorest fifth of the population but do not receive means-tested benefits."

Moreover, the months ahead will be devastating for millions trying to eke out an existence, as "even for those qualifying for the full amount, the Cost of Living Payments do not offset the litany of financial pressures that households are facing. Since 2019-20 the average household food bill has increased by £960, while other non-discretionary costs are also reaching new heights. Private rents for new lettings have increased by 10.3 per cent in the past year – renters are over-represented in households facing higher bills, with four-in-ten (39 per cent) private renters and six-in-ten (62 per cent) social renters set to fork out more on energy bills this winter than last – and higher interest rates means that households renewing their mortgage have faced an average increase of £1,500 per year on their repayments since the end of 2021."