



Energy Markets in 2021 and Domestic Energy Supplies

Your Questions Answered

Updated October 2021



Why has all this happened?

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What if I have a pre-payment meter? How do I top up?

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This document is interactive. Click on the questions to go to the relevant page. Clicking the home icon will return you to this page.

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The energy markets have dominated media headlines recently, with rises in the wholesale gas market and several energy suppliers going out of business.

In this guide, we answer some common questions, such as how this might affect you and what you need to do.

Why has all this happened?

There's no single answer to that. Lots of things happened to the energy markets at once and whilst they would all have been easily overcome on their own, together they resulted in rapidly rising prices.

Wind levels have been very low in recent weeks, so we've not been generating much wind power. Then, one of the interconnectors that we use to import or export energy to or from France caught on fire. Interconnectors are used to connect Great Britain to the grid network in several EU and non-EU countries to export electricity to other countries when they need it and import electricity when we need it.

At the same time, global prices for gas are unusually high. There has been an increased demand for gas from Asia and our gas storage levels are depleted following a cold winter last year.

In Great Britain, when renewables output is low, we typically rely on gas-fired power stations to make up the demand, so the high gas prices have had a knock-on effect to the electricity prices.

This has all happened when everyone tries to get back to their familiar work and leisure patterns after the Covid-lockdown and temperatures are starting to cool in some regions as we approach autumn, so consumption is high.



'I received a notification saying my energy supplier has ceased trading. What do I do now?'

Firstly, and in the style of the Hitchhiker's Guide to the Galaxy, Don't Panic.

Ofgem, the energy regulator, will appoint a new supplier to take over your account. This is known as a Supplier of Last Resort. It usually takes Ofgem only a few days to decide which supplier to appoint.

Your new supplier will get in touch as soon as possible to explain more about the transfer process. They will tell you about your new tariff and payment structure. They also have a legal obligation to inform you that if you don't want to stay with this new supplier appointed by Ofgem, you are free to leave without any exit fees.

We recommend that if you are going to choose a different supplier, you wait until the transfer to the Supplier of Last Resort has been confirmed, to avoid any complication that might arise from having two suppliers trying to register your meter at the same time.

It normally takes a few weeks before the transfer is complete. Most importantly, your gas and electricity supply won't be cut off because of this process. And any credit you have with your old supplier will be protected and transferred to your new supplier. It's not ideal, but be patient and the administration will.

Here's how you can help the process:

1. **Take a Meter Reading**, even if you have a smart meter installed. We take a photo and save it on our mobile phone to record ours – it's easy to refer to if you need to input meter readings in future. In the unlikely event that something does go wrong, you have evidence of your consumption on record. If you don't own a mobile phone or digital camera, try to keep your readings somewhere they won't get lost – like by writing them in your diary.
2. **Don't cancel any direct debits** unless you receive a letter from your new supplier giving you clear instructions to do so.
3. **Don't switch supplier** until the Supplier of Last Resort has been completed. You don't have to stay with the supplier that Ofgem chooses for you, but you do need to wait until the transfer under the SOLR process is completed before you make any changes to your account. This is so that the administrators who are dealing with the accounts from your old supplier know what has moved and you don't lose any credit that might be in your old account.



What if I have a pre-payment meter? How do I top up?

For pre-payment customers, any credit that has already been loaded onto your meter can be used as normal.

Your new supplier should prioritise prepayment customers and send you a new top-up card or other equipment to top up your meter as soon as possible.

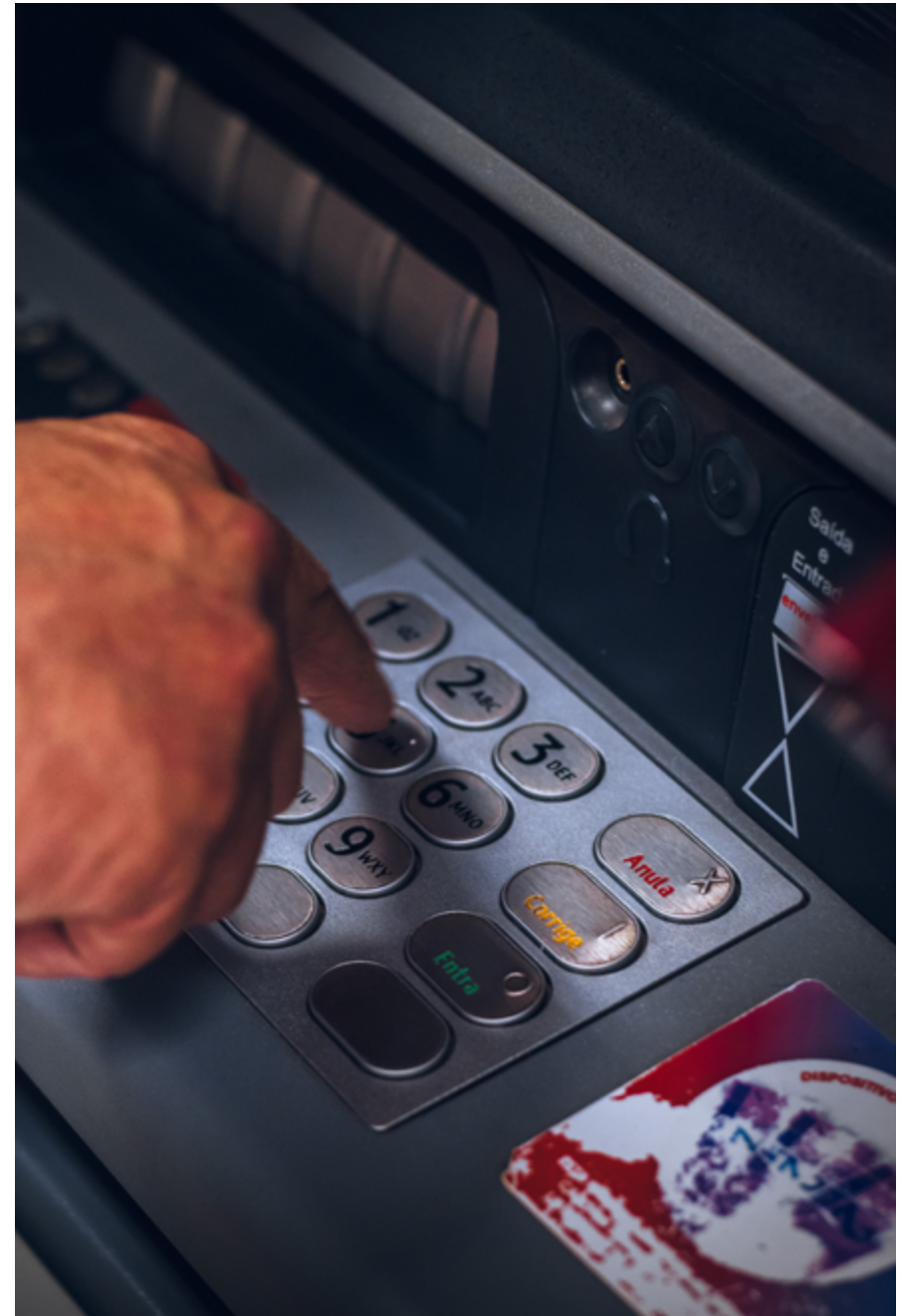
If you need to top up before your new token, key or top-up card arrives, contact your new supplier for help. Their number will be on the letter that tells you who your supplier is.

My energy supplier has ceased trading. Will my bills get more expensive?

Unfortunately, yes, they probably will.

Energy prices were low last year so if you started a new contract in 2020, you may have managed to get a good deal. In particular, the suppliers that have recently gone out of business tended to offer the lower tariffs. Now, prices in the global markets are very high so energy suppliers are not able to offer tariffs as cheaply as before.

If your supplier goes out of business, you'll be moved to a new supplier, as explained above. To begin with, you will be put onto its default pricing, known as a 'deemed' rate. Since you haven't chosen this tariff, you have the right to move onto a different tariff, or to a different supplier altogether, without being charged exit fees to leave. If you are happy staying with your new supplier, we recommend that you ask to be put on the cheapest tariff they offer.



My energy supplier hasn't ceased trading. Will the high prices in the market mean my energy bills go up anyway?

That depends what type of contract you have. If you have a fixed price contract, your rates won't change until that contract ends. But be aware that if your contract is due to end soon, it is unlikely that you'll be able to get such good prices so expect to see an increase.

If you're on a variable contract, your supplier can increase or decrease your prices at any time, although they must give you 30 days' notice.

There are regulated restrictions on how much suppliers can charge customers on variable tariffs. This is known as the "price cap".

On the 1st of October, the price cap increased, meaning that energy bills for customers on variable tariffs increased by around £139 per year for the average user.

If you are worried about paying your bills, help is available. Start by talking to your energy supplier. If you ask for help, they must agree a payment plan with you.

This could include reviewing your payments, taking a payment break, or allowing you more time to pay.



What happens to my Warm Home Discount payment if my supplier closes?

Regardless of whether you are being transferred to a new supplier, if you are eligible for Warm Home Discount you should apply as soon as possible. This is because there can be a limit on the number of payments that each supplier is allowed to make.

Some Suppliers of Last Resort will automatically apply this if you were eligible with your old supplier. For example, British Gas have confirmed that former customers of People's Energy who received Warm Home Discount last year will be automatically added to British Gas's Warm Home Discount register, if they receive the correct information from People's Energy. However, things can go wrong when switching supplier, so we recommend you double-check when your new account is set up.

To apply for the Warm Home Discount, or to ask whether you are eligible to apply, call Ofgem's Warm Home Discount helpline on 0800 731 0214.

If you receive Pension Guarantee Credit, then you are in the "core" group for Warm Home Discount and your payment should be applied automatically. You should get a letter between October and December which confirms this and explains when and how the payment will be made.

Pension Guarantee Credit is part of Pension Credit, but not the same as having a state pension, so check your pension statements if you are not sure.

However, a word of warning: not all suppliers pay the Warm Home Discount – for example, smaller suppliers don't have to, and this helps them to keep prices lower. It is unlikely that Ofgem will appoint one of these as their Supplier of Last Resort, but we do recommend you

speak to your new supplier as soon as possible if you are relying on these payments.

The Winter Fuel Payment is also available for those over the age of 66 and should be paid automatically if you are claiming the state pension. The Winter Fuel Payment is currently £66 for people over 66 and £300 for people over the age of 80.



Why are smaller suppliers harder hit?

Again, there's no single answer as every business is operated differently. However, in general, the larger suppliers tend to buy their energy much further in advance, which means they are more protected against sudden short-term changes in the wholesale marketplace. We refer to this as being "well-hedged".

To do this, they often build in a small premium to the bills so that even if prices rise, they can continue to purchase energy from the generators. It's a bit like paying a little bit more to reserve your Christmas turkey at the local butcher and knowing that there is a turkey with your name on it, rather than depending on the local supermarket to have one in stock on the day that you need it. They probably will, but they never made you that promise.

Smaller suppliers have generally tended to offer lower prices to customers, without much premium. This works very well when energy prices are going down and they still make profit, but when prices are rising, they don't have enough finance to cover the cost of selling energy to you at a lower price than they are able to buy the energy at.

It's not a fault of the suppliers in question and it's definitely not the fault of customers who chose to go with less established brands. It's one of the challenges for any market where buying and selling is subject to commodity trading.



What if I can't afford this?

If you are struggling to pay your energy bills, you should contact your supplier as soon as possible. Your supplier is obligated to work with you to try and find a solution that works for both of you.

For example, you might agree to pay off your debts in instalments as part of a payment plan.

This will mean you will pay an agreed fixed additional amount over a set period based on what you can afford. The payment plan will cover what you owe, plus an amount for your current use.

Your supplier must consider:

how much you can afford to pay
- give them details about your income and outgoings, debts, and personal circumstances

how much energy you'll use in future
- they'll estimate this based on your past usage, but give them regular meter readings to make this more accurate

If you're in debt to your energy supplier, you might be able to get a grant from a charitable trust to help pay it off.

The following energy companies offer grants and schemes that are open to anyone - you don't have to be a customer:

[British Gas Energy Trust](#)

There are also companies who offer grants specifically for their customers:

- [npower Energy Fund](#)
- [Scottish Power Hardship Fund](#)
- [Ovo Debt and energy assistance](#)
- [E.on Energy Fund](#)
- [EDF Energy Customer Support Fund](#)
- [Bulb Energy Fund](#)

When you apply for a grant, you'll have to provide detailed information about your financial situation in your application. It could take a while to complete, and it might be worth getting help from a friend or family member. You can also [talk to an adviser for help filling in forms](#).

Before you apply

Charitable trusts like you to show that you have [received debt advice](#) before you apply. Debt advice can help you manage your debts and increase your chances of making a successful application.

If you are struggling to pay your energy bills, more information is available on the [Citizens Advice website](#).

How do I choose the right energy tariff?

As discussed, if your supplier ceases to trade, you don't have to stay with the supplier that Ofgem chooses for you. However, you do need to wait until the transfer under the Supplier of last resort-process is completed before you make any changes to your account.

Even if your supplier has not ceased to trade, you might still want to look for a better deal. In any case, finding the right energy company and tariff may seem quite overwhelming as there are so many out there.

Comparing companies can help you save money and find the kind of contract that best works for you.

What type of contract is best?

If you don't mind signing a contract for a set period, it is usually best to choose a 'fixed rate' or 'capped' tariff.

These contracts will usually last for 12, 18 or 24 months and the cost of your energy will stay the same throughout that time.

This makes it easier to budget because your bills will only go up or down if you use more or less than you usually do.

However, do check whether there are "exit fees". These are fees which are charged if you end the contract early. Only consider signing up for one of these if you plan to stay on the tariff for the length of the contract.

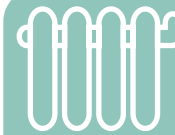
If you move to a new house before the contract ends, let your supplier know that you want to move the contract to your new home and you won't be charged exit fees.

If you know you are going to need to end the contract after a short

period of time, you may be better off with a variable, or standard, tariff which doesn't tie you in. These tariffs are often more expensive than fixed deals.

There are many online search tools that can help find the best deal. If you would like to speak to someone instead, all these companies also have phone services available.

Things you should consider when choosing the company



Your lifestyle

For example, if you work nights or have an electric storage heater, with some tariffs you will pay less for energy used at night.



Customer Service

Do some detective work online to find out what the current customers are saying.



Energy Switch Guarantee

A scheme that ensures all switches are completed within 21 days. Check whether the company you are considering has signed up to the scheme.



Cooling Off Period

If you sign up with a company and change your mind, you legally have 14 days where you can leave without having to pay for leaving early.

It's important to remember that you should never be made uncomfortable or pressured any point while choosing a company. If you are worried, talk to someone you trust or contact the Citizens Advice consumer helpline on 0808 223 1133.

So, when will the prices come down?

Historically, UK energy markets work in cycles of 3 to 5 years with the peaks and troughs lasting 3 – 6 months on average. With this cycle, much of the recovery will depend upon gas supply volumes returning to normal levels and the temperature over winter being warming than average.

If both of things happen, it is possible prices could start to drop prior to the move the summer season, which begins from the 1st of April.

How can I save energy?

The rising energy prices may have got you thinking about how you can save energy at home. ICON offers a guide for social housing tenants on lighting and heating your home.

Where can I go for help?

Energy regulator Ofgem offers advice on:

- [Avoiding and reporting energy scams.](#)

Citizens Advice Bureau can help you on:

- [What to do if you're struggling to pay your energy bills](#)
- [Switching energy supplier if you're a tenant](#)
- [Switching energy supplier if you're in debt](#)
- [Choosing the right energy tariff](#)

You can also contact their consumer helpline on 0808 223 1133.





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