

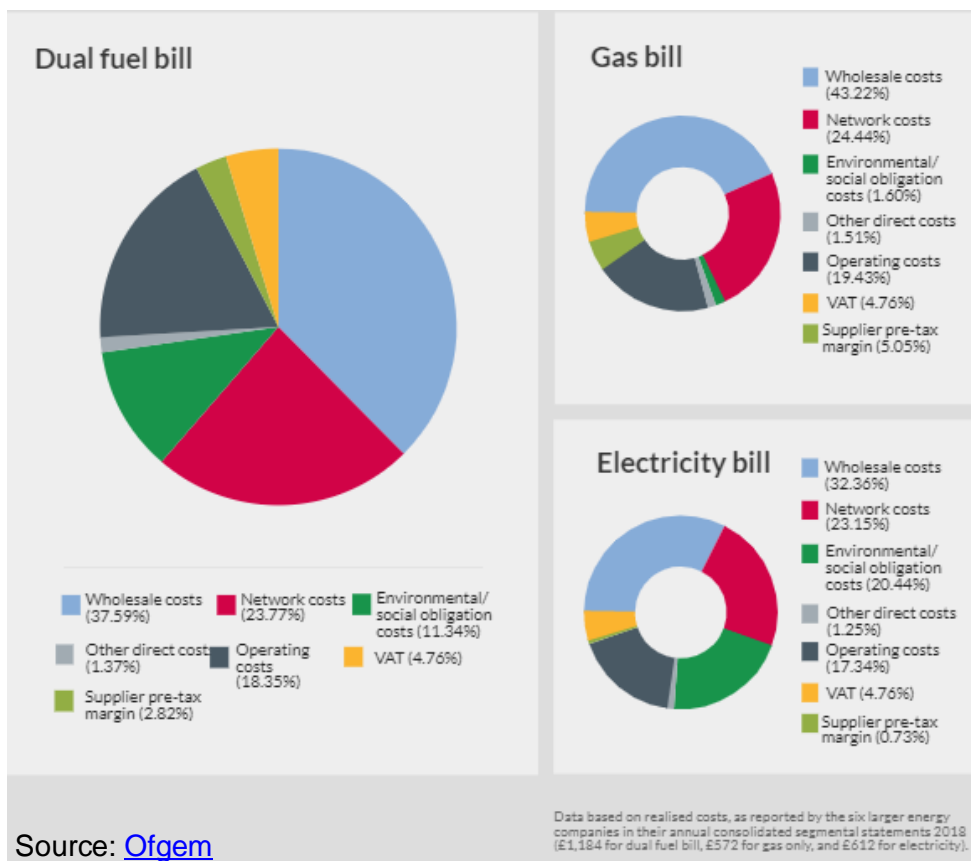
# Domestic Energy Bills

V1 – February 2020

## What makes up an energy bill?

Customers are billed for the amount of energy they use in kilowatt hours (kWh). Broadly speaking there are six essential components which contribute to a consumer's energy bill:

- 👉 **Wholesale costs** - The costs associated with an energy supplier buying their energy from wholesalers, electricity generators or gas producers.
- 👉 **Network costs** - Energy has to be transported to customers through transmission and distribution networks. Energy suppliers are charged for their use of these networks.
- 👉 **Policy costs** - Government policy can impose costs onto energy suppliers which are then passed on to customers. For example, environmental legislation often imposes a cost on energy companies.
- 👉 **Operating costs** – Energy suppliers themselves have operating costs which need to be covered.
- 👉 **VAT** – Domestic or non-business consumers pay 5% VAT on energy bills. Businesses pay a standard VAT rate.
- 👉 **Supplier Margin** – The cut of the bill that your energy supplier keeps for themselves.



## The Average Cost of Energy Bills in the UK

The average domestic energy bill in the UK is currently around £1,360 per year.

Commercial energy bills vary in cost depending on the type of business. According to [UK Power](#) small businesses pay on average around £3,365 per year, whilst medium-sized businesses normally pay in excess of £5,652 per year.

Switching energy suppliers can often save consumers a significant amount of money on their energy bill. Despite this many consumers have never switched energy provider.

## Changing Costs

The precise cost makeup of energy bills can change over time depending on several factors such as government policy or the global energy market. The impact of these different cost elements will also vary depending on how and when an energy company buys energy, and if a customer has a gas only bill, electricity only bill or a dual fuel bill.



To find out more speak to one of our Utility Consultants:

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