

No point switching gas and electricity suppliers, find out how much you use to save

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Switching gas and electricity suppliers will not get customers the best deal. The only way householders in the UK can save money on their gas and electricity bills is to work out how much they use each month, according to a University of Warwick economist.

Research by Professor Michael Waterson looking at the behaviour of the six major energy companies has found the energy market does not follow normal patterns of competitive pricing. The great differences in prices and tariffs meant there was no obvious best buy for customers.

He said: “You can look at the amount you pay each month and think you are getting a better deal, but it is based on an estimate of your consumption and may not reflect your consumption. You need to know how much energy you actually consume to see if the tariff you have is the best one for you.”

Professor Waterson added that consumers were very unclear about what they were buying when they looked at price comparison websites or spoke to salespeople.

In any other industry when several companies are offering a similar product, economists would expect competitive pricing. However, Professor Waterson said this does not happen in the [energy market](#).

He said: “You would expect prices would fall in a competitive market to similar levels across all the companies, but instead we have a great

difference in prices. There does not seem to be any real pattern in how these companies charge, we found over time that a supplier may be cheaper for your circumstances at one time but then that would change quite quickly. There was no obvious best buy.”

Energy Secretary Chris Huhne announced last week that he was going to ‘get tough’ on suppliers and make it easier for people to spot cheaper deals and switch providers. However, Professor Waterson points to attempts last year by the regulatory body Ofgem to prevent suppliers offering cheaper rates to customers outside their geographical area while still charging higher prices to customers within their geographical area.

He said: “This Ofgem intervention did not work and had the perverse effect of increasing costs for all customers. It is a clear example of how they had planned to deal with a perceived problem in the market and it has backfired.”

Professor Waterson added that the six companies had a captive market and it was very difficult for a new energy supplier to buy sufficient long-term gas and electricity to come into the market. Although the six [energy](#) companies could compete to poach customers from each other, there was little threat of a new company coming into the market and taking over as a market leader.

More information: Professor Waterson’s research paper is available at [www2.warwick.ac.uk/fac/soc/eco ... ations/twerp_790.pdf](http://www2.warwick.ac.uk/fac/soc/eco...ations/twerp_790.pdf)

Provided by University of Warwick

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