

How are gas and electricity bills calculated

Unit charge

The unit charge is determined by the tariff you are on, but this is the amount you pay for each kilowatt (kWh) of energy you use.

Standing charge

The standing charge is determined by the tariff you are on, but this is a fixed amount each day that pays for the energy network costs for supplying energy to you. The standing charge amount varies by tariff as energy suppliers often blend this with the unit charge to create more attractive tariffs. There are also some energy suppliers who offer tariffs with no standing charge.

Tariff comparison rate

You may see a tariff comparison rate on your bill which is a rate that is calculated based on the standing charge, unit cost and any discounts so that you are able to compare the tariff against other tariffs.

Energy calculation

Calculating the amount of energy used is fairly straightforward for electricity when you look at the meter readings as you just deduct the previous reading from the current reading, then add on the standing charge times by the number days the bill covers, deduct any discounts, and finally add VAT.

Electricity cost = (no. of kWh used x unit charge) + (standing charge x no. of days the bill covers) – any discounts x 5% (VAT)

The gas bill calculation is much harder as the usage needs to be converted into kWh as gas meters operate in volume either cubic meters or feet depending on the age of your meter.

On the bill somewhere will be the standard calculation that the energy supplier uses to calculate the kWh. This may involve converting feet into meters, as factoring in a calorific value and converting it to kWh.

Once you have a kWh figure from this calculation is the same as the electricity calculation above, kWh is timed by the unit charge, then add the standing charge times by the number of days the bill covers, and deduct any discounts before VAT is added.

Discounts

Your tariff may offer you discounts for paying by direct debit and/or for paperless billing. These will be applied to your bill before VAT is added. These discounts amounts may look different to what you were offered due to the amounts being deducted before VAT when you will have been quoted post VAT figures. This still offers you the same level of discount.

Personal projection

Your energy bill may show a personal projection which will show what your energy supplier thinks you will use over the next 12 months. The energy supplier will use this to calculate your direct debits for the next 12 months so if you think it might be wrong you should contact your energy supplier to discuss it.

The personal projection can also be used when comparing tariffs on price comparison sites.

Estimated bills

How to Check for Estimated Meter Readings

You can usually see if a meter reading listed on your bill is an actual or estimated meter reading by the letter next to the meter reading figure, these letters often are:

- A = actual taken by the energy supplier
- C = customer meter reading
- E = estimated figured

An estimated figure is calculated by the energy supplier based on your past usage which can be inaccurate if you have not been with the supplier for long or your usage behaviour has changed.

What Should You Do If You Receive a Bill Based on an Estimate Reading?

If you receive a bill with estimated reading/s on it, you should read the meter/s yourself and give this information to your energy supplier and ask for a revised bill.

It is advisable to read your meters every three months and give the readings to your energy supply to prevent estimated bills. Some energy suppliers will send reminders if you request it and others may do this automatically. Some suppliers will also ask for meter readings every month.

Payments

How Does Paying by Monthly Direct Debit Work?

Customers who pay by monthly direct debit often receive a discount on their energy bills as you pay a month in advance for your energy on a fixed plan amount for the contract length. The direct debit amount is calculated on your annual estimated usage then that is split into 12 monthly instalments.

If you are an existing customer your usage will be calculated on your previous use. If you are a new customer it will be based on the information you give them when you switch to them, so it is important that you give the most accurate energy usage possible to avoid overpayment or debt.

If you pay by direct debit you will probably spend the summer to autumn months building up credit that will be used up over the winter. During winter and spring your account will probably be in debit and as spring progresses you start to pay back the debit then move into credit again in the summer.

This is standard for all direct debit customers as it allows you to spread the cost of the higher winter energy bills across the whole year.

Direct debit customers still receive regular energy bills either through the post or electronically through an online account or email.

How do I know if I'm in credit or debit?

At the end of the bill or on the front page it should state if your account is in credit or debit and by how much. This is often shown within credit or CR next to the figure to show credit, or in debit for when you owe money.

What to do if you are in credit?

If your energy bill is substantially in credit you should query this with your supplier. If you are a direct debit customer you should expect to see credit during summer and autumn, then a debit late in the year until Spring.

If you appear to be paying too much on your direct debit or the amount has been increased significantly then you should ask your energy supplier to check their calculations. You should also provide them with a current meter reading to assist this.

Changes in direct debit amounts

Your energy supplier must notify you at least 10 days before increasing your direct debit, and this is often put on your energy bill after an account review has taken place. You should always check your bill for any direct debit changes and see if it matches what your bill is showing and whether it is based on estimated meter readings.

If you feel your direct debit amount is incorrect you should contact your energy supplier and ask that they recalculate your energy projection. You should also provide them with a current meter reading to assist this.

What is a variable direct debit?

Variable direct debit is an instruction that you set up with the energy supplier on your bank account to allow the energy supplier to take the cost of the energy from your bank account after you have received your energy bill. This payment method means you pay for your energy regularly through direct debit but only for the energy used that period.

This will be shown on your bill as a payment for the previous period as a credit. Your energy bill will show the balance that is left to pay for this period which is the amount that they will debit your bank account with.

Payment on the receipt of an energy bill

If you pay on receipt of a bill by cheque, over the phone, online, at a post office, or by variable direct debit, you will need to pay the balance on your account shown on the bill. You will see the payment for the previous period on your bill as a credit on the account.

Other details on the energy bill

Tariff details

Your energy bill should include details about your current tariff including:

- The tariff name,
- The tariff type (fixed, variable or tracker)
- When your contract will end
- If an exit fee applies

You can use this information to help you switch suppliers or get a better deal with your current supplier when the contract ends.

Fixed rate tariffs have fixed rates for the length of the contract and cannot be subject to price increases. Variable rate tariffs are not fixed and can go up or down depending on the energy market prices. Fixed rates offer security on your energy prices. Variable tariffs tend to offer no exit fees so can be more flexible if you are moving or planning on changing suppliers.

Note that if your tariff is a standard tariff or your contract is due to come to an end you will be placed on a standard tariff, these standard tariffs have much higher rates and you should switch from these tariffs as soon as possible.

The energy supplier should also indicate whether you are on their cheapest tariff and how much you could save by changing tariff.

MPRN and MPAN

The MPRN and MPAN are the unique numbers associated with the energy meter. MPRN stands for Meter Point Reference Number and it is used to identify gas meters. MPAN stands for Meter Point Administration Number and it is used to identify electricity meters.

These reference numbers allow you to check that the meter on your account is the meter in your home.

What to do if you have not received a bill?

If you have not received an energy bill for a while, then you should contact your energy supplier to send you one.

If you have asked for an energy bill and you still do not receive one in over a year, you may not be liable for all the energy used over 12 months ago. If an energy supplier does not provide a bill when it has been requested, then under the back-billing code they can only charge you for a maximum of a year's energy.

To be eligible for not paying for back billed energy that is over a year old you must have contacted your energy supplier for a bill and have co-operated with the energy suppliers' requests.

What to make a note of if you are wanting to switch supplier?

There are many useful pieces of information on your energy bill which will help you when you are comparing energy tariffs:

- Name of current supplier
- Tariff name
- Tariff type

- Amount of electricity and gas you used in kilowatt hours (kWh) over a year or six-month period
- When your contract ends. Note you are not charged for switching supplier 49 days before your contract ends
- Whether you will be subject to an exit fee if you leave more than 49 days before the end of your contract