



Roundtable discussion

Affordable Energy Bills in a Volatile World

Tuesday 7 July, 9.00-10.00 | Room U, Portcullis House, London | Sponsor: Mike Reader MP

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The cost profile of domestic electricity bills is changing;

traditional drivers of cost are becoming less influential, while new pressures related to fixed and anticipatory investment costs are growing:

- [UKERC analysis of Ofgem price cap data](#) showed that between Apr-Sep 2021 and 2025, average electricity bills **increased by £169** in real terms, with around two-thirds of this rise driven by gas-linked wholesale fuel costs.
- By contrast, a comparison of Apr-Sep 2025 and 2026 price cap periods showed that average bills have fallen by £33, largely due to the reduction in policy costs (–£107 relative to 2025) but also partly due to lower wholesale fuel costs (–£21). While these savings amount to £128, **they are offset by a ~£100 increase** driven largely by higher network charges (+£32 relative to 2025), Capacity Market costs (+£20), nuclear Regulated Asset Base costs (+£16) and debt-related costs (+£10).

Looking forward:

- [The influence of gas prices on wholesale fuel costs will continue to weaken](#) as more generation on CfDs enters the system. The volume of generation receiving gas-linked market prices should drop from **90% in 2024 to 60% in 2028**.
- **Network costs are becoming a more significant affordability challenge.** Transmission network (TNUoS) charges have increased by £31 compared to Apr-Sep 2025. Electricity transmission expenditure could reach £70 bn over the next five years. Constraint costs could rise from £2 bn in 2025 to £8 bn per year by 2030.
- **Debt-related costs now add £30 to electricity bills and continue to rise.** Levels of UK consumer energy debt are at their peak since records began in 2012 and have reached £5.5 bn, the majority of which is arrears.

[Read all Rapid Bill Reduction publications](#)

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Energy affordability remains a major challenge,

worsening the wider cost-of-living crisis. Governments are taking action, but key questions remain: who should receive support, how much, for how long and how it should be funded?

Our research shows that funding mechanisms are critical to fairness and economic outcomes. **[Tax-funded support is generally more progressive](#)** than recovering costs through energy bills, but its wider economic effects depend on labour market responses. Policymakers must therefore **balance equity with economic impacts**.

Every policy option involves trade-offs:

- **Warm Home Discount** can reach many households quickly, but support is not tailored to individual needs, requires regular increases as prices rise, and effectiveness depends on funding arrangements.

- **[Social tariffs](#)** delivered through unit discounts are more responsive to household energy needs and may deliver stronger economy-wide outcomes. However, funding remains a challenge, and long-term reliance risks entrenching fuel poverty.
- **Fabric and heating interventions** could offer long-term benefits, reducing energy demand and bills. However, they are costly, meaning fewer households can be supported unless larger budgets are available, while some households need to wait.
- **Rising block tariffs** may initially reduce bills for many households, but [can disproportionately affect fuel-poor households](#) and are unlikely to remain cost-neutral over time. Careful design is also needed to support net zero objectives.

The key message is that there is no single solution. Improving energy affordability requires a mix of short-term support and longer-term structural interventions. Clear policy objectives are essential to navigating trade-offs and ensuring that immediate actions support, rather than undermine, long-term goals.

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- **Recent heatwaves** highlight how balancing costs of electricity spike when demand is high and generation is low.
- **Demand-side flexibility can materially reduce peak demand**, and is central to meeting Government ambition of 10–12 GW at peak by 2030, with system-wide benefits in the order of billions of pounds per year.

- **However, flexibility is not a universal win-win**; current market arrangements favour households with access to flexibility assets, raising a fundamental distributional trade-off between broad participation and higher-capacity contributors.
- **Tariffs remain the most societally inclusive mechanism** to unlock flexibility at scale, even if they are less targeted than explicit demand response schemes.
- **'Demand turn-up' presents a significant opportunity**, but without deliberate design, low-cost renewable periods may disproportionately benefit large users (e.g. data centres) rather than households most in need.

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- National Energy Action's starting point is that **affordable bills must sit at the heart of a fair transition**. Long-term bill reduction depends on improving homes and reducing energy demand, but retrofit alone cannot reach all low-income households quickly enough to meet today's level of need.
- **Direct bill support**, whether through an enhanced Warm Home Discount rebate, social tariff or other targeted mechanisms, **remains essential while retrofit scales**. The policy test is not choosing between support now and investment for the future, but combining them so immediate support falls over time as homes become more efficient and bills become more affordable.

- **Energy debt should also be treated as a core affordability issue**. For households in arrears, repayments are part of the bill they actually face: current consumption plus the cost of past unaffordability. Debt relief therefore functions as money off bills for households under the greatest pressure.

- **Tackling debt also lowers bills for everyone**. Bad debt and recovery costs are already being recovered through the price cap, adding around £50 to £70 a year to a typical household's bill. Clearing a larger share of domestic energy debt would reduce these recurring costs over time.

- **Debt action is also transition-enabling**. Households trapped in arrears are less able to switch tariffs, move away from gas, access the full value of smart or flexible technologies, or engage with retrofit. Getting people out of crisis is often the first step toward meaningful participation in the net-zero transition.

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- **No single measure of fuel poverty fully encompasses all households** who are energy-disadvantaged, so we need to be careful when we set targets based on narrow definitions.

- **Households who experience housing and energy inequities often also have less access to greenspaces**, highlighting the need to address compound inequalities across the built environment.
- **High summer temperatures increase the uptake of air-conditioning**, leading to greater energy demand and raising significant equity issues. We need to retrofit our existing stock to better cope with overheating.

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