

ENERGY INDUSTRY – UK – 2024

While fixed-rate energy deals have started to come back onto the market, incentives to switch suppliers remain limited. Thus, the return of competition to the retail market is expected to be slow.



Claudia Preedy, Senior
B2B Analyst



Energy Industry - UK - 2024

This report looks at the following areas:

- The UK's current and potential future energy mix
- The government's energy policy and its impact on the energy industry
- Consumer attitudes towards energy suppliers and energy efficiency measures
- The impact of the energy crisis on retail market competition
- How energy suppliers are diversifying their product and service offering

Overview

Soaring wholesale energy costs have effectively halted competition in the retail energy market, as suppliers pulled fixed deals from the market and set their default tariffs close to the price cap or the government's [Energy Price Guarantee](#). In 2023, a number of energy suppliers have started to relaunch fixed deals. However, most of these tariffs offer little savings compared to the variable standard tariffs, which most people are on. With limited incentives for customers to switch suppliers, the return of competition to the market is expected to be slow.

While wholesale costs have fallen, prices are still higher than pre-energy crisis levels and wholesale market risks remain. Energy suppliers need to continue to actively support customers struggling to pay bills, while at the same time ensure their own financial stability. Energy suppliers also need to invest in their product and service offering to strengthen their position.



While fixed-rate energy deals have started to come back onto the market, incentives to switch suppliers remain limited. Thus, the return of competition to the retail market is expected to be slow.

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Suppliers will continue to diversify and strengthen their offerings in the growing low carbon technologies sector, including EV charging/tariffs, heat pumps, solar PV and smart home devices. With the roll-out of Market-wide Half-Hourly Settlement, expected in 2026, combined with the widespread adoption of smart meters, suppliers will be encouraged to launch more innovative smart tariffs and services.

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Report Content



Key issues covered in this Report

- Overview

EXECUTIVE SUMMARY

Opportunities for the energy market

- EV charging and tariffs become an increasing point of competition
- Green tech product diversification opportunities
- Market-wide Half-Hourly Settlement will drive development of more innovative tariffs

Market dynamics and outlook

- The five year outlook for the energy industry
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- The rise of renewables
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- Rising power demand will require a range of solutions
- Significant investment in whole-system infrastructure is required
- Number of active suppliers in the UK retail energy market
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- More than half of UK electricity supply comes from low carbon sources
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- Renewables account for 41.5% of total electricity generation in 2022

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- Onshore wind
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- Bioenergy and BECCS
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- Low-carbon hydrogen supply
- Significant investment in whole-system infrastructure required...
- ...to support the clean energy transition...
- ...and new offshore wind capacity

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- Market reforms to create a fairer, more competitive market
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- Domestic electricity market shares
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- Ambition to decarbonise the electricity system by 2035
- Government U-turn on some net zero policies
- British Energy Security Strategy aims for a 40% reduction in gas demand by 2030 through increased efficiency and faster uptake of renewables
- The Energy Security Strategy's low carbon sources ambitions

The Labour Party's energy policy

- Labour's pledge to decarbonise the electricity system by 2030

Policy instruments supporting decarbonisation of the electricity systems

- Renewables Obligation (RO)
- Contracts for Difference (CfD)
- 3.7 GW of renewable energy projects awarded CfDs in AR5, the lowest level since 2017
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- Industry regulation
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- Energy efficient lights most popular energy efficiency products to have been installed
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- Examples of innovative EV tariffs
- Suppliers develop demand flexibility offerings for domestic customers
- More personalised service provision to help customers decarbonise homes
- Suppliers need to focus on providing outstanding customer service and experience...
- ... as high customer satisfaction levels remain a key differentiator

Launch activity and innovation

- 2023 sees first new energy supplier launched since crisis began
- National Grid ESO's Demand Flexibility Service
- Utilita and partners launch smart energy control technology trial
- Energy suppliers launch heat pump offers
- Octopus Energy partners with housebuilders to see the construction of "Zero Bills" homes

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- E.ON migrates all its residential and SME customers to E.ON Next
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- ScottishPower Energy Retail
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- SSE
- Disposal of non-core assets to sharpen strategic focus around electricity infrastructure and net zero
- Renewables at core of SSE Group's business strategy
- Net Zero Acceleration Programme Plus
- Financial information
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Help desk

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US	+1 (312) 932 0600
Australia	+61 (0)2 8284 8100
China	+86 (21) 6386 6609
India	+91 22 4090 7217
Japan	+81 (3) 6228 6595
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