Lack of Competition Key in Rising Energy Prices

by Jessica Modul

Article published on November 30th 2011 | Business

A statement published in Q3 2011 by the UK Government suggests that one of the main reasons energy prices continue to rise is that the UK market does not encourage sufficient competition. Both domestic and business tariffs have increased exponentially over the past decade.

Energy Secretary Chris Huhne argued that as many as 99% of all UK consumers subscribed to services offered by one of the 'Big Six' energy firms. He stressed that there may be greater opportunities for consumers to take advantage of discount prices from providers outside of this circle.

Consumers in Northern Ireland were hit particularly hard by rising electricity prices when Power NI announced it would implement an 18.6% price increase from the beginning of October 2011. After stalling price increases for the past two years, the dam finally burst and Power NI claimed it was no longer able to sustain rising wholesale prices without passing on the cost to its customers.

So what can we do as consumers? The answer coming from the government seems to be that UK consumers should be more willing to switch providers in search of the cheapest rates. Another statistic quoted by the Energy Secretary suggests that as many as 85% of consumers have never considered changing providers - if this is the case, it speaks volumes about the captive nature of the UK energy market. If we are not prepared to switch provider for the sake of a better deal, why do we expect our suppliers to continue offering competitive rates?

Reducing consumption can also help to break the cycle of ever-increasing prices. By consuming less power, we will make it more realistic for alternative power sources to be used to satisfy the bulk of UK energy needs. The quicker we reach a position from which this is achievable, the sooner we will stop consuming fossil fuels at such an excessive rate. When this happens and demand for fossil fuels is reduced, prices for fossil fuels will drop - although this may have less of an impact on energy prices once we rely largely on renewables, it will have a positive impact on the environment and it will free up valuable fossil fuels for other important applications, such as the production of medical-grade plastics.

There are many simple ways to reduce electricity consumption in a home or office. Replacing inefficient lightbulbs with their most energy-efficient counterparts is one of the quickest and easiest ways to ensure lower energy consumption, particularly during the winter months. Improving insulation in the home can also reduce reliance on electrical heating (or gas heating), as can donning an extra layer of clothing before reaching for the thermostat. Televisions and computers that are normally left on standby can be switched off, phone and laptop chargers that are not in use can be unplugged, and interior lighting can be limited to the rooms currently occupied.

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Article Keywords:
energy prices, business tariffs, combi boiler insurance

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