



Energy bill - how to read it and how to save money

Energy bill = rocket science?

Many of us receive an energy bill and have difficulties to understand it. All the tables and data are so complicated that after a few minutes we give up and do not bother to figure out what means what on this document. Yes, we are in favor of simplification of energy bill and making it more consumer friendly. However, it needs some changes in legislation and regulatory bases. Does it mean that we have to just pay our energy bills without understanding on what exactly we are spending our money? Definitely NO. Please read some hints below, which allow you to find out what is what on your bill. Possibly, there are some positions you can cut down significantly.

What type of contract do you have?

First, you should check the type of contract you have. How to do it? It very simple; when you receive one bill for energy – it is a complex contract. If you have two separate invoices – one for energy used, and second for distribution – you have two separate contracts, probably because you have changed the energy supplier before. This finding is quite important, because distribution fees are fully regulated.

Energy cost and distribution cost

The place where you should look for savings is mostly the energy supply part. How to find it? Please look on the table below:

ENERGY BILL POSITIONS	flat costs	variable costs
distribution	regulated, flat	regulated, depends on kWh used
energy	commercial, flat	commercial, depends on kWh used
other (incl. taxes)	legal	legal

Flat, fixed costs are simple to find – they do not depend on consumption level (in kWh) and they are usually paid as monthly fee.

Variable costs – they depend on kWh of energy consumed and calculated using formula $XXX \text{ kWh} \times \text{kWh price}$.

Distribution costs are paid for the network services and their performance, as well as the quality of energy. As we said before, this is regulated tariff, which means you can influence it only by reduction of consumption – the yellow cell in the table.

Energy costs (paid to the supplier) in simple option are calculated for kWh consumed \times kWh cost only. It means that the more you use, the more you pay. However, you can have the tariff with monthly fixed cost, sometimes quite significant in the total value of your invoice. These are commercial costs, marked in green in the table above, and shall be considered if you think about potential savings.

Real consumption data or estimated cost?

There are various calculation models you can find on your invoice. It depends on your tariff, having (or not) smart meter and the contractual terms at your energy supplier.

The best and easiest to read is **energy bill based on actual consumption**. You just pay for what you consumed, no less, no more. If you use too much energy or have any failures in your home installation or device causing extraordinary consumption, you will see it on the next bill. You can react by your behavior (consume less) or in other ways – changing old, obsolete bulbs or fridge, because you have proper information about your current consumption. This billing method is used usually when smart metering is installed in your household, and sometimes in traditional, offline network. In this second case it can be extremely expensive because it means somebody must check the data from your meter at least every month. So, in general, it is useful to have actual data-based energy bill but be aware it can cost a lot. Check your tariff and pricing before you decide to order it.

Second way is **estimated energy bill**. Energy supplier, having data from previous periods and similar households, tries to estimate how much energy you will consume within next period. Duration of this period depends, again, on your tariff. It can be 2 months, six months or even a year. During this period, you pay in advance, usually monthly, for the predicted volume of kWh. After such a period ends, energy company checks the data from your meter and issues a balance energy bill. If you have paid more than consumed, you will have an excess payment, which mean you credit the energy company. If you have paid less, you will have to pay underpayment, what can be very uncomfortable for your household budget. If it is really big – ask your supplier for few monthly installments and negotiate. It is much better than not paying at all, risking debt and cut of energy.

So, if you have an estimated bill model, you should verify the estimations carefully. Take into consideration that winter shall be compared to winter, and summer to summer. Especially if you use electricity for heating or cooling your house.

Third way is a flat rate over the whole year. You pay, just like above, amount based on estimation, but the period is a full year. It can be useful if you use electricity for heating, and the winter and summer consumptions are significantly different. Thanks to the flat rate, you will pay the same amount in July and in December. This billing method is not possible everywhere – check your supplier if you feel it is a good solution for you.

And last but not least – pre-paid. You pay first for exact amount of energy and use it until the credit exists. In some cases, it is useful – you will not risk the debt. However, you must be quite careful, otherwise you can face an unpredicted blackout in your house. Pre-paid tariffs are usually more expensive than others, so please choose wisely.

