Which energy tariff is right for you?

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When it comes to managing your energy expenses, selecting the right tariff is crucial. Just like a mobile phone plan, there are a variety of energy tariffs on the market. Each comes with its unique costs, benefits, and drawbacks to consider. This article will help you to understand the different types of energy tariffs, so you make an informed decision on which is right for you.

The Different Types of Energy Tariffs

1. **Fixed Rate Tariffs**

A fixed-rate tariff means that your price will be fixed for a set amount of time. For example, you may agree to a fixed-rate tariff for a period of 12 months, or 18 months. During this time, you'll have a fixed charge per kWh of energy, so you pay the same set amount for the same amount of energy each month. Your bill will vary depending on if you use more, or less, energy.

Benefits:

- Fixed-rate tariffs have consistent pricing throughout the duration of your contract. If the market price of energy increases, you will be protected and won't have to pay more because of these fluctuations.
- If you generally use the same amount of energy each month, you'll know the approximate cost of your energy bill each month. This makes it easier to budget your expenses.

Drawbacks:

- A period of high energy consumption, for example, over a cold weather outburst or family gatherings, will result in a considerably higher bill. This can mean much higher bills over the winter period, when households typically use the most energy to keep warm.
- Whilst you can protect yourself from spikes in the energy market, you also won't see the benefit of cheaper energy rates.

2. **Variable tariffs**

Variable tariffs work opposite to a fixed-rate tariff, so the price you pay for your energy can fluctuate up and down depending on the market. A variable tariff is usually the default type of tariff a supplier will offer. If your old contract ends, you'll most likely be placed on this type of tariff. The benefit of a variable tariff is that if market prices fall, you'll have a much cheaper energy bill. But if market prices suddenly spike, your bill will be expensive.

Benefits:

- Variable tariffs are more flexible than a fixed-rate tariff, as you can leave or change tariff without having to pay any early exit fees.
- Market prices may fluctuate, but this type of tariff is protected under Ofgem's energy price cap. This means that although your bill may go up, there is a limit on how much you can be charged.

Drawbacks:

- Budgeting can be more challenging with a variable tariff, as payments can fluctuate each month. With such an unpredictable energy market, it can be difficult to predict each month's bill accurately.

3. **Capped tariffs**

With a capped tariff, the cost of your energy per unit, measured in kWh, won't go over an agreed amount with your supplier. It's still similar to a variable tariff, as your costs may go up and down with the market. It just sets a limit on the rate you pay- per unit - which is not a limit on your total bill.

Benefits:

- This may offer some stability than a variable tariff, as you know the rate will not go above a certain limit. Unlike a fixed tariff, you will see a cheaper bill if the market prices dip too.

Drawbacks:

- A capped tariff is often more expensive than a variable tariff.
- It's highly likely that you'll have to pay a fee if you do want to leave your contract early.

4. **Unlimited energy tariffs**

There aren't many suppliers that offer an unlimited energy tariff to home users, but it is still an option. This gives you unlimited energy for a year, at a set cost. To get this tariff, you'll have to

provide some additional information to your supplier about your typical energy usage, which is often estimated using your past energy bills.

Benefits:

- This can make budgeting easy, as you know exactly how much you'll be paying for your energy, no matter how much you use. This ensures that you'll know in advance the exact amount you'll be paying for you energy consumption, and good be a good value tariff if you use a large amount of energy.
- Unlimited energy tariffs could be a great solution if you are a very large energy consumer, and you'll always know the exact amount you owe.

Drawbacks:

- If you use a lot less energy, you still must pay the set cost. You won't see the benefits of any energy-saving measures you install, for example, a new boiler or insulation. This means that if you change to any other type of tariff, your property may be energy inefficient and cost a lot to keep warm.
- It could leave you out in the lurch in terms of making crucial upgrades to your property that would ultimately slash your bills in the long run.
- This tariff is not provided by many suppliers, so you may find you have limited choice of suppliers.

5. **Dual fuel tariffs**

A dual fuel tariff simply means that you get your gas and electricity from one supplier. This means they can be combined into one bill, as they are from one company.

Benefits:

- Your supplier may offer a discount for choosing to get both services from them.
- Dual fuel tariffs may be easier to manage, cutting down on your paperwork.
- In some cases, it is cheaper to have gas from one supplier and electricity from another.

Drawbacks:

- If your supplier has poor customer service, you'll be stuck with them for both electricity and gas for the duration of your contract.
- Most dual fuel tariffs charge an exit fee if you wish to leave early.

6. **Pre-payment tariffs**

A pre-payment tariff works like a pay-as-you-go system. You'll pay a certain amount, e.g. £20, onto your pre-payment meter, and top it up when you run low. This means you're in control of your energy-once you run out, you run out.

Benefits:

- You can control your spending, as you won't have any unexpected costs or estimated bills. You'll simply pay as you use energy.

Drawbacks:

- This is typically the most expensive way to pay for energy, as you won't get to experience any discounts on your bill.
- You may put yourself at risk of having no energy- if you don't top up your meter, you'll be left without any gas or electricity.

7. **Paperless tariffs**

A paperless tariff means what it says- you won't receive paper billing; you can manage it online. This is an eco-friendlier tariff, as the supplier isn't using any paper.

Benefits:

- You may be offered a cheaper tariff, as your supplier doesn't have to cover the costs of paper or postage.

Drawbacks:

- However, this isn't for everyone as all information will only accessible online.
- Paperless tariffs don't have the same customer care procedures, so you may find you can't reach a call centre as easily as other tariffs.

8. **Green tariffs**

Green tariffs can include a range of different types of tariffs that are more environmentally friendly. Most of these tariffs are called 'green tariffs' because all, or part, of your energy is generated from renewable sources.

Benefits:

- Reduces your carbon footprint and is more environmentally friendly

Drawbacks:

- Green tariffs are usually more expensive than a regular tariff.
- Not all these tariffs are equally green- it's important to research to know what your ‘green tariff’ means.

9. **Economy 7/ Economy 10/ Time-of-use tariffs**

These tariffs offer cheaper energy based on the time of day that you use it, with it being cheapest during ‘off peak’ hours. An Economy 7 tariff usually has its off-peak hours specified as between midnight and 7am. If you use energy during this time, you’ll get a cheaper rate for your energy.

Economy 10 is similar but will instead spread its cheapest hours at specified times throughout the day.

Benefits:

- Off-peak energy is often much cheaper
- If you can adjust your energy usage times, you can save a large amount on your energy bill.

Drawbacks:

- Using energy outside of these off-peak hours is usually charged at a much higher rate, which can end up being costly.
- It can also be an extra task to try and organise the bulk of your energy consumption around these set times.
- You will need to have a special meter installed if you’d like one of these tariffs.

Which tariff is right for me?

Selecting your energy tariff is a personal choice that will depend on your unique habits, energy usage, and budget. You should take time to decide on which tariffs may be best suited to you, and then compare the offers from each supplier to ensure you get the best deal.

That said, here is some general guidance you can follow:

- Certainty: a fixed rate tariff provides you with a degree of certainty, as you’ll always know how much your set unit cost is during your contract.
- Flexibility: if you’re not looking to be tied to a 12-month contract, a variable tariff may be a better option to choose as it usually has looser exit terms.

- Convenience: if you find dealing with your utilities to be time-consuming and stressful, a dual tariff could be the right option for you. Or, if paperwork feels like a never-ending task, a paperless tariff may work better for you if you prefer managing your accounts online.
- Control: pre-payment tariffs offer strict control over your energy spending, if a more rigid pay-as-you-go system works better for you.

Other ways to get out of your energy tariff

There are other ways to make the most of your energy. This includes adopting energy-saving habits or applying for a government-backed grant such as the ECO4 Scheme or Boiler Upgrade Scheme. These schemes make your home more energy-efficient, which will help you slash the costs of your energy bill.

See if you are eligible below!

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