PLUG IN.
PAY LESS.

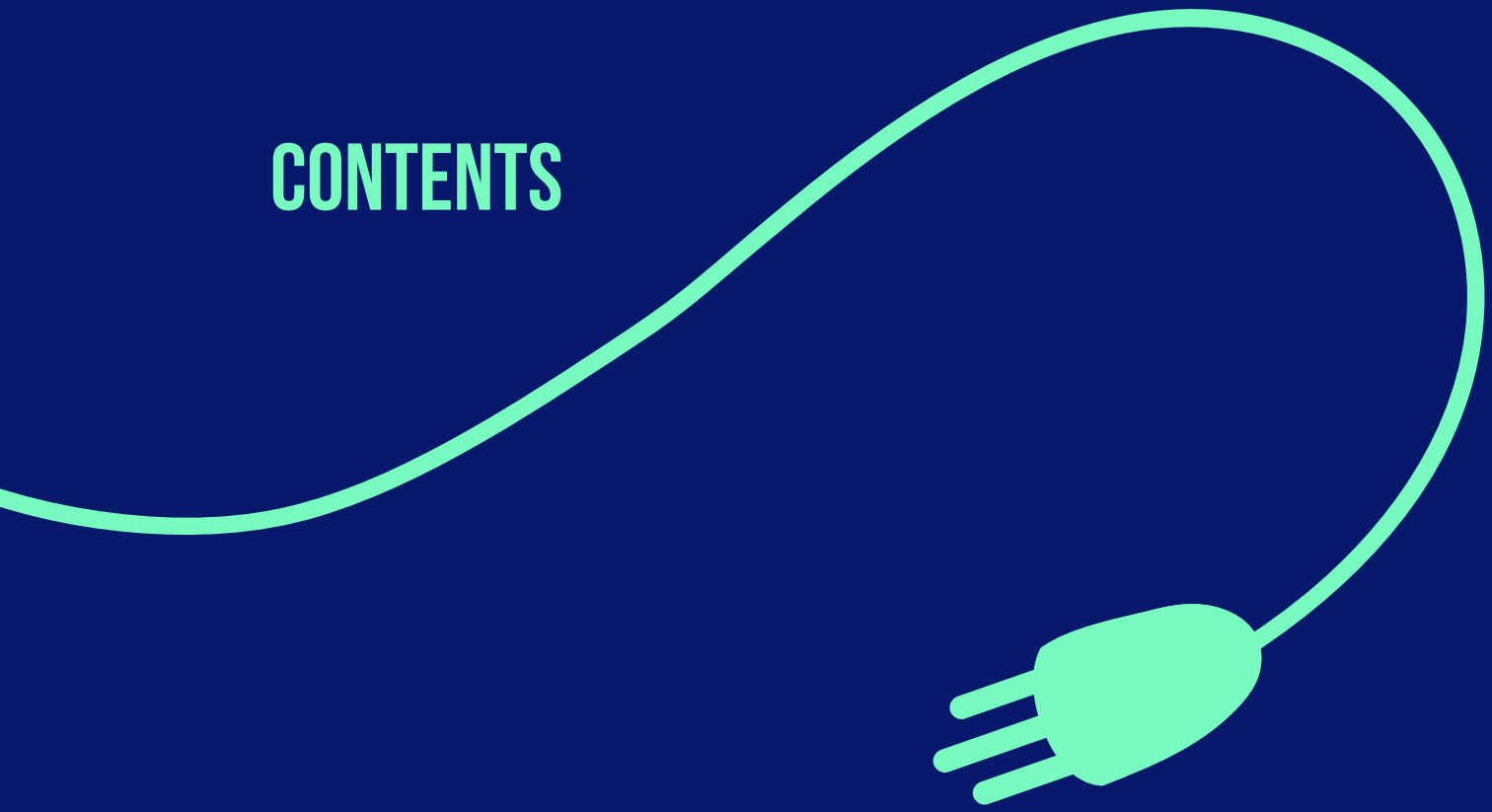
RESETTING BRITAIN'S ENERGY BILLS: A STRUCTURAL PLAN TO LOWER COSTS AND MODERNISE BRITAIN

ACKNOWLEDGEMENTS

WE WOULD LIKE TO THANK THE MANY INDIVIDUALS AND ORGANISATIONS WHOSE CONTRIBUTIONS SHAPED THIS PROJECT.

The energy bill modelling was undertaken by Ita Kettleborough, Min Guan, Elena Pravettoni, Sophie Slot, Trishla Shah and Jason Martins at Systemiq. Polling was undertaken by Amy Norman and Sunita Pfitzner at Public First, and the policy and report development by Virginia Sentance, James Low, Shaelyn Hattle, and Rebecca Tremain at Flint Global. In addition, thank you to the team at Flint Global for additional work modelling the demand-based impacts of electricity bill changes. We would also like to thank our colleagues at EDF and Octopus Energy for their peer review, as well as Sam Alvis, Adam Berman, Sam Richards and others for early conversations and expert advice.

CONTENTS



EXECUTIVE SUMMARY 4

THE PROBLEM: BILLS, TRUST AND THE POLITICAL CONTEXT 7

THE BILL IS BROKEN 13

THE BILL RESET 20

THE ELECTRIFICATION DIVIDEND 24

FROM RESET TO UPTAKE 32

BUILDING THE DEPLOYMENT ENGINE 37

CONCLUSION: PLUG IN, PAY LESS 42

EXECUTIVE SUMMARY

Energy bills are no longer just an economic variable. They are a mark of a nation's resilience, sovereignty, and fairness. They are a monthly measure of our capacity to protect households from volatility, and to build an economic model that can drive up living standards, rather than deliver a permanent sense of squeeze.

The public feel battered by forces beyond their control – global instability, higher borrowing costs, and repeated shocks. The current crisis in the Middle East has proven, once again, the UK's exposure in the absence of action. In a highly interdependent global energy system many of the factors driving rising bills are beyond any one Government's control.

The political context is stark. **67% of voters rank the cost of living among the top three issues facing the country**, and more than **65% say the government is doing a poor or very poor job at bringing down everyday living costs.**

But this does not mean that permanently lower bills are beyond our reach. For these households, the encouraging news is that energy bills can be gripped. And not just through temporary support, but through structural reform that sets bills on a lower trajectory for good.

This paper sets out a straightforward argument. If the government wants a cost-of-living strategy with levers it can actually grip, energy bills are the most direct. And the public will support any government that gets behind that mission: **over 70% of the public say they would prefer bills to fall gradually and stay lower over time rather than drop temporarily and rise again.**

Britain's bills problem has two structural causes. First, electricity is artificially expensive because legacy policy costs are disproportionately loaded onto electricity, not gas. Second, most households still rely heavily on gas for heating and transport, leaving them exposed to volatile global fuel markets. Many of these outcomes are the result of decades of government policy. This paper argues that fixing both problems together is the only credible route to permanently lower energy bills.

ELECTRIFICATION IS THE ONLY DURABLE ROUTE TO PERMANENTLY LOWER ENERGY BILLS

At present, Britain is stuck in a failing loop. When prices spike, the government intervenes with temporary support. When prices fall, bills do not return to pre-crisis norms, because underlying network costs,standing charges and policy costs remain embedded. The public has internalised this cycle; they expect bills to continue rising and have long since stopped believing politicians telling them otherwise. Over half of voters remember Labour's manifesto pledge to reduce energy bills, yet a majority expect bills to be higher by the next election. Without a credible and visible plan that changes the trajectory of bills, politicians will struggle to claim competence, and opponents will continue to frame the system as rigged, broken or captured.

Crucially, this is not a question of rhetoric. The next steps should be grounded in the mechanics of the bill and the trade-offs of reform. Britain is making structural asks of households – to accept changes in infrastructure, to navigate a shifting economy – while the price signals that shape household technology choices remain misaligned. Electricity, the modern fuel for homes and transport, is artificially expensive while gas remains artificially cheap. It carries legacy costs and network recovery that gas does not. That "electricity penalty" suppresses switching, slows the uptake of technologies that can permanently lower running costs, and keeps households locked into gas volatility for longer.

Reform is therefore not optional. It is the precondition for success.

The modelling underpinning this paper illustrates the stakes. **Without reform, the typical dual-fuel household bill rises from £1,689 in 2026-27 to £1,851 in 2030 and £1,922 by 2035**. These rises are a direct result of government policy. Network and policy cost pressures swallow any wholesale price relief, which themselves – as demonstrated in the most recent conflicts in the Middle East – remain exposed to geopolitical shocks. Clean power supply, on its own, does not guarantee lower retail bills, because bills are not just wholesale prices: they are a stack of costs, and many of those costs are set by policy and regulation. If the government wants to deliver structurally lower bills, it must change the structure of the bill and act decisively.

Electrification matters not just for long-term system change, but for household bills today. Electrified households can significantly reduce both their bills and their exposure to volatile global gas markets. Electric technologies use energy more efficiently and reduce exposure to volatile gas markets. Electrification is cheaper.

This paper proposes a strategy built around two core reforms to make people's lives better:

- The first priority is to **reset the way we pay for energy so it actually works for consumers.** The government should correct the distortions embedded in the current system by removing the electricity penalty so electricity is no longer systematically more expensive than gas. That means completing the shift of legacy levies off electricity bills into general taxation, reforming VAT treatment, ensuring carbon pricing does not inadvertently inflate electricity costs as the power system decarbonises, ruling out the automatic loading of new technology costs onto household bills, and establishing a credible framework for managing network investment and gas network decline. Without structural reform of how bills are built, headline reductions will not translate into durable change.

- The second priority is to **build a deployment engine that ramps up access to bill cutting technologies for everyone.** Lower electricity prices only translate into savings if households can switch to electric technologies. The government should therefore designate Electrification zones to concentrate delivery in defined areas, create a simple national "Switch & Save" finance offer to overcome upfront cost barriers, expand the use of default time-of-use tariffs to unlock flexibility savings, and strengthen targeted support for heat pumps, EVs, solar and battery storage. Electrification must be treated not as a passive market trend, but as an active cost-of-living strategy.

WHAT REFORM COULD MEAN FOR HOUSEHOLDS

Together, if a credible reform package is applied to the government's current ambition, annual bills for a typical dual-fuel household would reduce by **£245 a year relative to the current trajectory by 2035**. This improves the electricity-to-gas price ratio by 1 point – reducing from 4.7 in 2035 to 3.6.

Reducing electricity bills and improving the price ratio could **unlock around 200,000 additional heat pump installations per year.**

Switching from a gas boiler to a heat pump could **save around £255 per year by 2035.**

Reducing electricity bills could also unlock up to 60,000 additional EV sales annually.

A duel-fuel household switching to an EV with a time-of-use tariff can **save a further £193 on annual energy bills.**

A dual-fuel household that switches to electric solutions can **reduce their bills by £725** annually in 2035 or, when also adopting a time-of-use tariff, a total of £919.

Electrified households are more resilient to energy gas price spikes. If there was a 30% gas and oil price increase, a fully electrified household **would only see annual energy bills rise by around 1.7%, compared to a dual-fuel household which would experience an increase of 13.5%** in 2035.

The political prize is clear. If the government can show a credible pathway to structurally lower bills – not as a promise, but as a trajectory supported by reforms people can see – it will not just reduce household costs. It can rebuild trust, strengthen resilience, and demonstrate competence where it matters most: in people's wallets.

KEY RECOMMENDATIONS

To permanently reduce household energy bills, government should focus on two priorities.

Reset the structure of the energy bill

- Move legacy levies - including the **Renewables Obligation and Feed-in Tariffs** - off electricity bills and into general taxation
- **Remove VAT from electricity** and equalise VAT on **public EV charging**
- Reform the **Carbon Price Support**, phased alongside UK-EU ETS linkage negotiations, to reduce distortions between electricity and gas prices
- **Remove network costs** from electricity bills
- Introduce **default time-of-use electricity tariffs** so households benefit automatically from cheaper off-peak power

Accelerate electrification

- Launch a national “Switch and Save” programme offering low-cost financing for solar and other electric technologies through the National Wealth Fund
- Deliver coordinated deployment through area-based electrification zones
- Accelerate residential solar and battery deployment through aggregated procurement led by local authorities and housing providers

TOGETHER THESE REFORMS WOULD LOWER ELECTRICITY COSTS, ACCELERATE ELECTRIFICATION AND PERMANENTLY REDUCE BRITAIN’S EXPOSURE TO VOLATILE GLOBAL GAS MARKETS.

THE PROBLEM

THE POLITICAL CONTEXT: COST OF LIVING IS BRITAIN'S GREATEST CONCERN

The cost of living is no longer a short-term spike; it has become the defining and prevailing context for this Parliament. Our polling shows that the public continues to rank it above the NHS, immigration, crime, and even the broader economy as the issue most affecting their daily lives. **67% of people say that the cost of living is one of the top three issues facing the country; only 40% cite immigration or the quality of the NHS.**

The public does not experience the cost of living as an abstract macroeconomic debate but as a monthly calculation: what leaves the bank account, what must be cut back, and what cannot be afforded.

People increasingly treat the cost of living as a test of government competence.

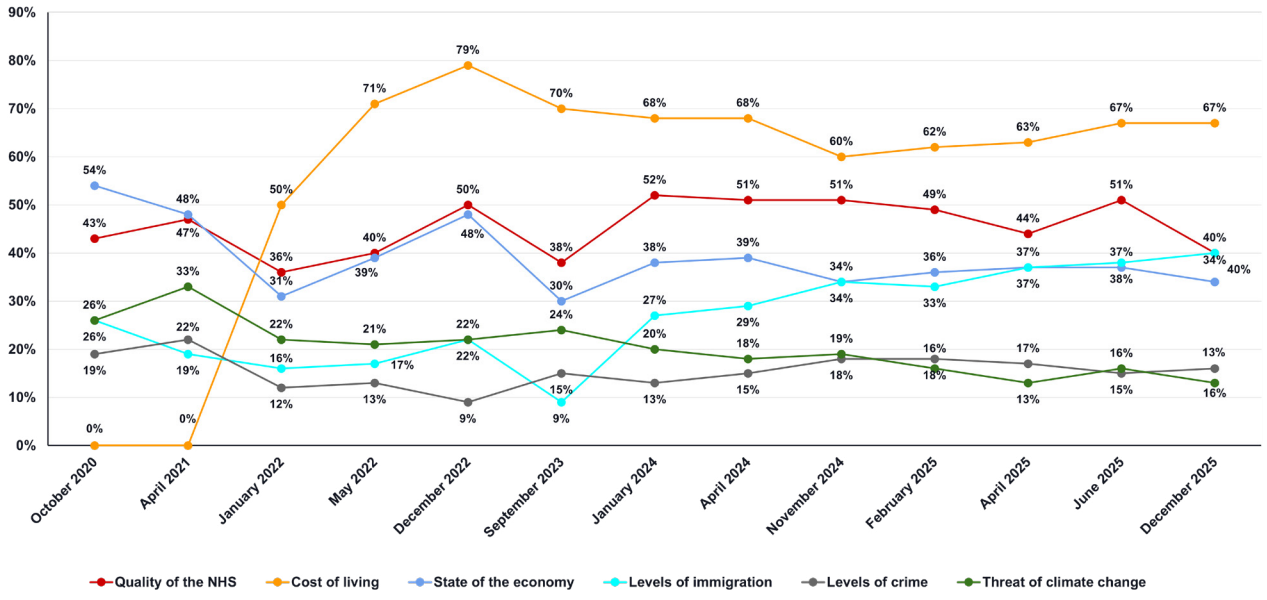


Figure 1: Polling results of the top issues facing the country at this time. Cost of living remains the top concern, well above quality of the NHS, immigration, the economy, crime, and climate change.
Source: Public First polling for Electrify Britain

Energy bills have become uniquely politically charged for three reasons.

First, they are visible. They arrive every month, households track them closely, and are a common theme in the media. Unlike inflation indices or wage data, bills are concrete and tangible.

Second, they are seen as "political". The public may not know the technical components of network charges or the details of levy schemes, but they understand that energy pricing is shaped by rules. When bills rise and then fail to fall back, people assume something in the system is wrong. They assume that the government has either allowed it or lacks the competence to change it.

Third, they are vital for trust. When trust is low, the public is less willing to accept complex explanations for why bills remain high. With trust in the government historically low, it cannot "explain away" volatility. This increases demand for tangible, visible interventions that change outcomes.

In short: bills become a test of competence, and competence is the currency of political survival. Across focus groups, energy bills were consistently described as unavoidable and difficult to control.

> "I THINK THE GAS AND ELECTRIC BILLS AREN'T MANAGEABLE... ESPECIALLY IN THE WINTERTIME... HEATING THE HOUSE IS SO EXPENSIVE. ELECTRICITY AND HEAT ARE BASIC NEEDS AS WELL. WE NEED ELECTRICITY, WE NEED HEAT."
>
> **- Female, 30s, Wigan**

PEOPLE WANT THE GOVERNMENT TO FOCUS ON BRINGING DOWN EVERYDAY COSTS, WITH LONG-TERM SOLUTIONS

Public opinion is clear: reducing everyday costs is the public's primary expectation of the government. **When asked what ministers should prioritise, 41% of the public say reducing day-to-day living costs should be the top focus.** Energy bills are one of the most visible and unavoidable parts of those costs.

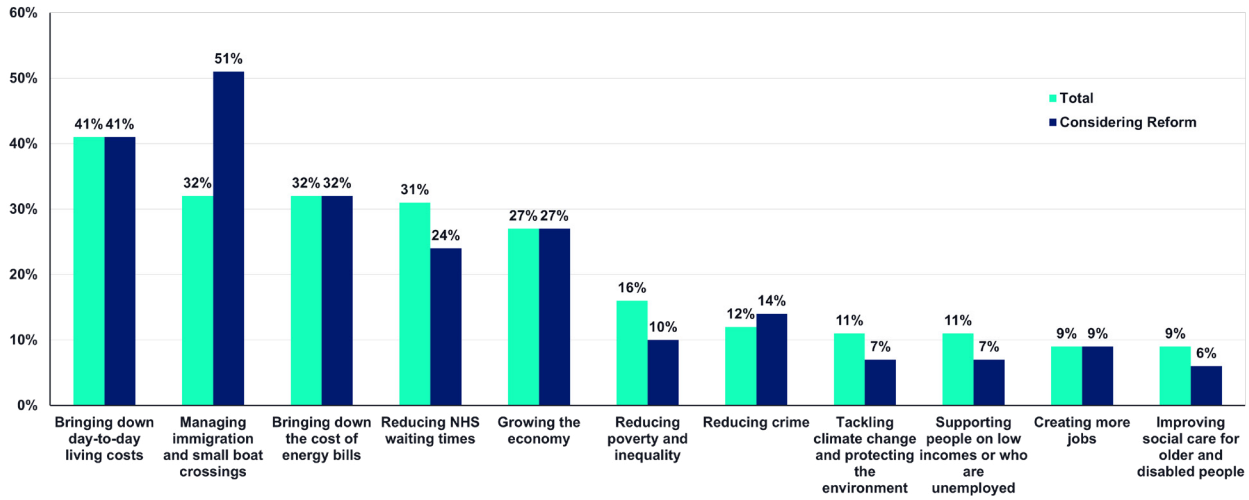


Figure 2: Polling results showing the public's priorities for government action
Source: Public First polling for Electrify Britain

However, the public is not simply looking for short-term handouts. There is a strong preference for stability and durability over short-term fixes. **Over 70% of the public say they would prefer bills to fall gradually and stay lower over time rather than drop temporarily and rise again.** That finding should shape policy design, as it reflects a hard-earned scepticism. Households have experienced the pattern of temporary relief followed by renewed increases and have seen rebates cushion them temporarily without changing the underlying vulnerability.

> "IF YOU EXPECT IT TO HAPPEN REALLY QUICKLY, IT'S JUST GOING TO COME BACK LATER ON. IT'S BETTER TO PROMISE STABILITY THAN JUST PROMISE INSTANT RESULTS. IF THERE'S A WAY THAT THEY COULD DRAFT OUT A PLAN OF HOW THEY'RE GOING TO DO IT OVER A PARTICULAR PERIOD, IT WOULD BE MORE BELIEVABLE, AND YOU COULD MAKE SURE THAT THEY'RE ACCOUNTABLE."
>
> – Male, 30s, Wrexham

People are asking for a more sustainable solution: a credible path to lower bills that stay lower, not more sticking plasters that they rarely feel. That means structural reform. It starts by changing the shape of the bill, reducing exposure to the volatility of gas, and creating a trajectory that people can see improving year by year. Clean power may tackle the gas problem in time, but the non-commodity section of the bill remains.

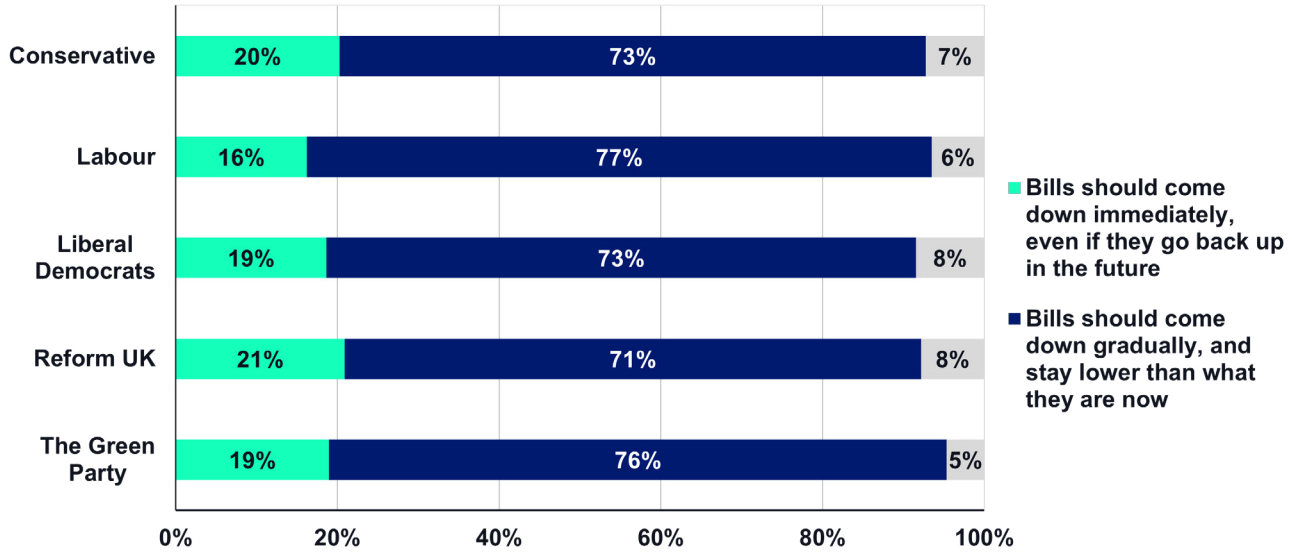


Figure 3: Polling results indicating a clear preference among all voting intentions for long-term solutions that bring down energy bills over the long run, rather than short-term solutions if bills might go back up in future
Source: Public First polling for Electrify Britain

Successive governments have avoided fundamental reform of energy bills, repeatedly relying on sticking plasters when prices spike. In 2022, after the Russian invasion of Ukraine, the government stepped in to introduce the Energy Price Guarantee and shield households from the gas price crisis. That intervention was critical to protect customers from the immediate shock. But it was temporary and did nothing to change the underlying system. Moreover, it cost around £25 billion.[1] With the UK facing a second gas crisis in 5 years, this is not replicable or fiscally sustainable.

[1]https://obr.uk/box/the-cost-of-the-governments-energy-support-policies/

More recently, the £150 bill reduction announced at the Autumn Budget, achieved by the government taking on 75% of the domestic costs of the Renewables Obligation (RO) scheme (a levy on electricity bills to pay for the early rollout of renewables) and the cancellation of the Energy Company Obligation (ECO) scheme, was a welcome attempt at long-term reform. However, it was not enough to change the underlying trajectory of bills, as our modelling below shows.

Over time, these sorts of interventions create a negative pattern: the state spends significant money to soften shocks[2], but households do not see their bill improving, they see the same vulnerability returning and costs rising.

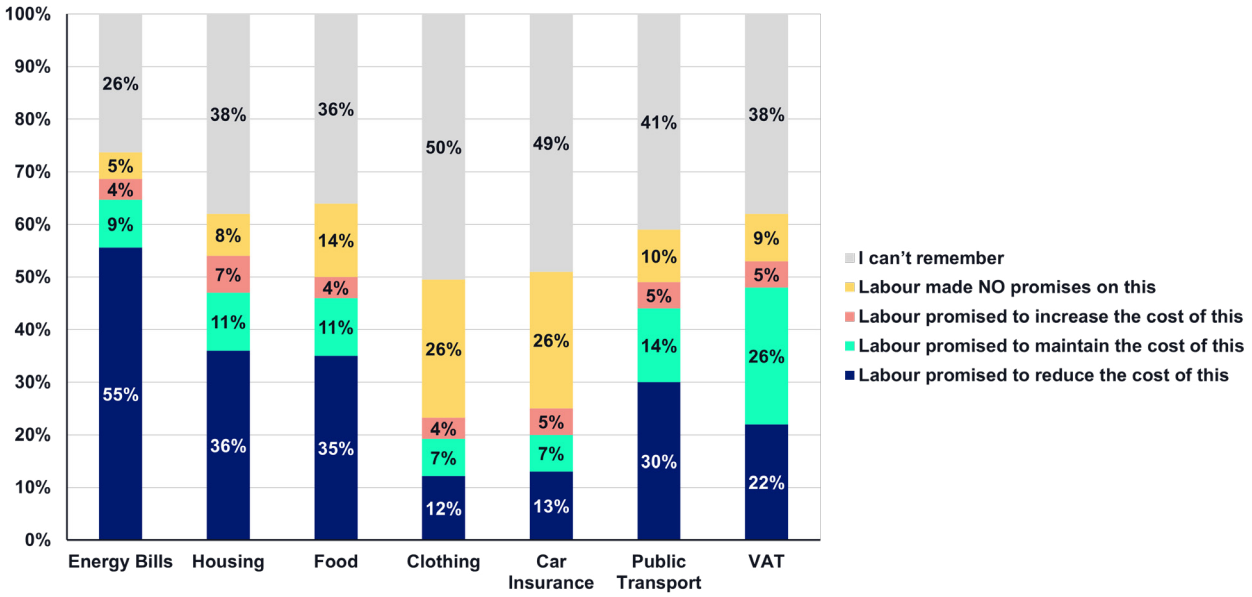
TRUST IN THE GOVERNMENT'S ABILITY TO BRING DOWN BILLS IS BROKEN

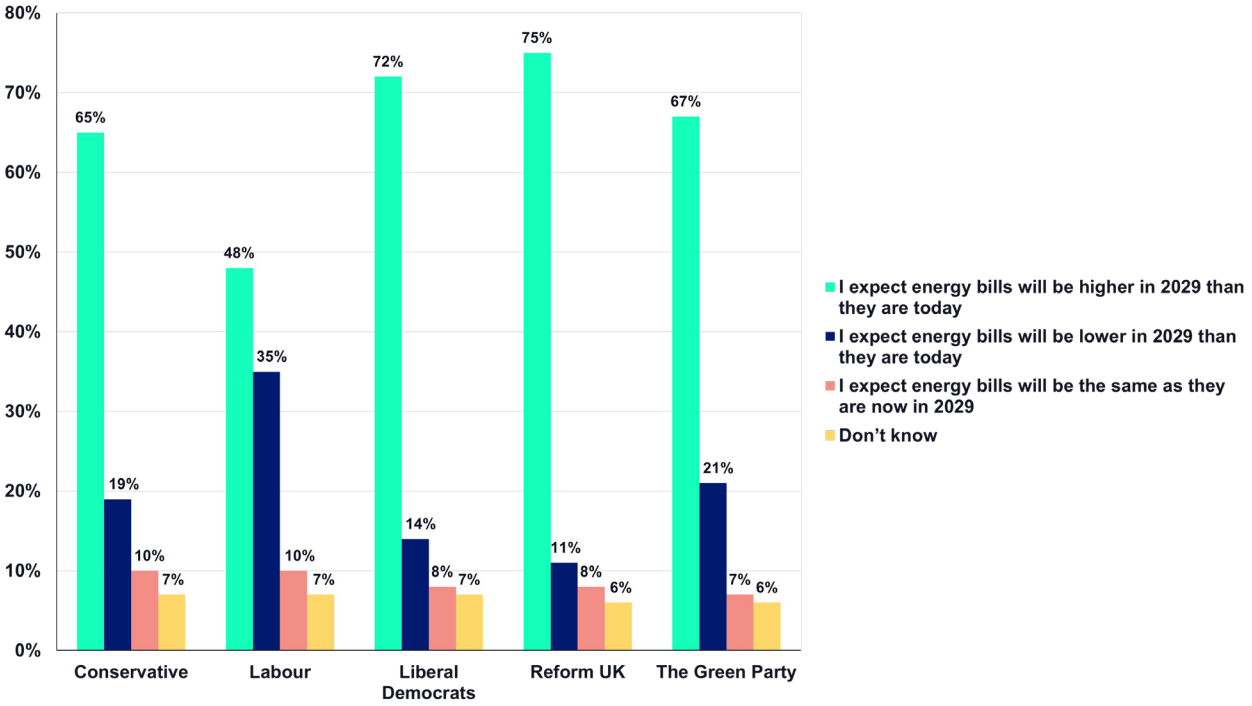
Although the public wants the government to prioritise the cost-of-living, trust that the government can actually deliver is fragile. **More than 65% of people say the government is doing a "poor" or "very poor" job at bringing down day-to-day living costs and reducing energy bills.** That is not passing dissatisfaction; it is deep scepticism.

Among voters considering Reform, dissatisfaction is even stronger. 41% say the government is doing a "very poor" job at bringing down energy bills. That intensity matters. It suggests that energy costs are not just a general grievance, but a mobilising issue for disaffected voters.

There is also a credibility problem rooted in memory. More than half of voters remember that Labour promised to reduce energy bills at the 2024 election. That promise now shapes expectations; it has become the benchmark against which delivery is judged. Yet at the same time, a majority of voters expect that bills will be higher by the time of the next election. That is a striking combination: people remember the commitment, but they do not believe the trajectory will improve.

[2]The OBR estimates that the cost of Autumn Budget intervention on electricity bills will cost £2.3 billion a year on average until 2029, while the government's energy price support package in 2022-23 costed £51.1 billion (The OBR: Economic and Fiscal Outlook – November 2025; The cost of the Government's energy support policies).





Figures 4 and 5: Polling outcomes on the percentage of the public that remembers Labour's pre-election promise to reduce energy bills, and the expectations of whether that will be delivered
Source: Public First polling for Electrify Britain

Polling undertaken immediately after the Autumn Budget illustrates this clearly. The government announced a £150 reduction in energy bills. In theory, this should have been politically helpful. **Yet our polling found that, even after being told about the reduction, only a third of voters expected their bills to come down in the following year.** Even 25% of Labour voters did not trust the government to deliver this. In other words, the announcement did not meaningfully shift expectations.

> "I DON'T REALLY BELIEVE MOST OF THESE PROMISES, BECAUSE EVEN IF THEY ACTUALLY DO IT, THEY'RE GOING TO FIND A WAY TO TAKE IT BACK SOME OTHER WAY."
>
> **– Male, 30s, Wrexham**

This is the political reality confronting any bills strategy. The public is not demanding a short-term giveaway, it is demanding a trajectory it can trust. Announcements that move numbers in one year but do not change the structural direction of travel risk reinforcing cynicism rather than rebuilding confidence.

TIME IS RUNNING OUT

The next general election will take place by 2029. There is only half a Parliament left if this government wants to feel the political benefit. That is a constraint, but it is also an opportunity.

People need to see visible improvements that can be felt and communicated within the time available. A strategy that relies solely on long-term supply-side trends, assumes that clean power will automatically trickle through into lower bills, or that wholesale gas prices will fall sufficiently will not meet the moment. If bills remain high or drift upward relative to expectations, the political implications will be felt.

However, the opposite is also true. Energy bills are one of the few areas where structural reform can produce tangible, cumulative gains within a single Parliament. Unlike broader macroeconomic shifts, the structure of and trajectory of energy bills can be changed through policy decisions. The electricity penalty can be reduced, and if it is altered visibly – if households see bills stabilising and then falling – there will be a political dividend.

> "IF THE GOVERNMENT MANAGES TO REDUCE ENERGY BILLS IN A LONG-TERM WAY, IT WOULD REALLY IMPROVE MY CONFIDENCE IN THEM."
>
> **– Male, 30s, Wigan**

THESE ATTITUDES MATTER BECAUSE ENERGY BILLS ARE NOT PURELY DETERMINED BY GLOBAL MARKETS. THEY ARE HEAVILY SHAPED BY DOMESTIC POLICY CHOICES ABOUT HOW COSTS ARE DISTRIBUTED ACROSS GAS AND ELECTRICITY.

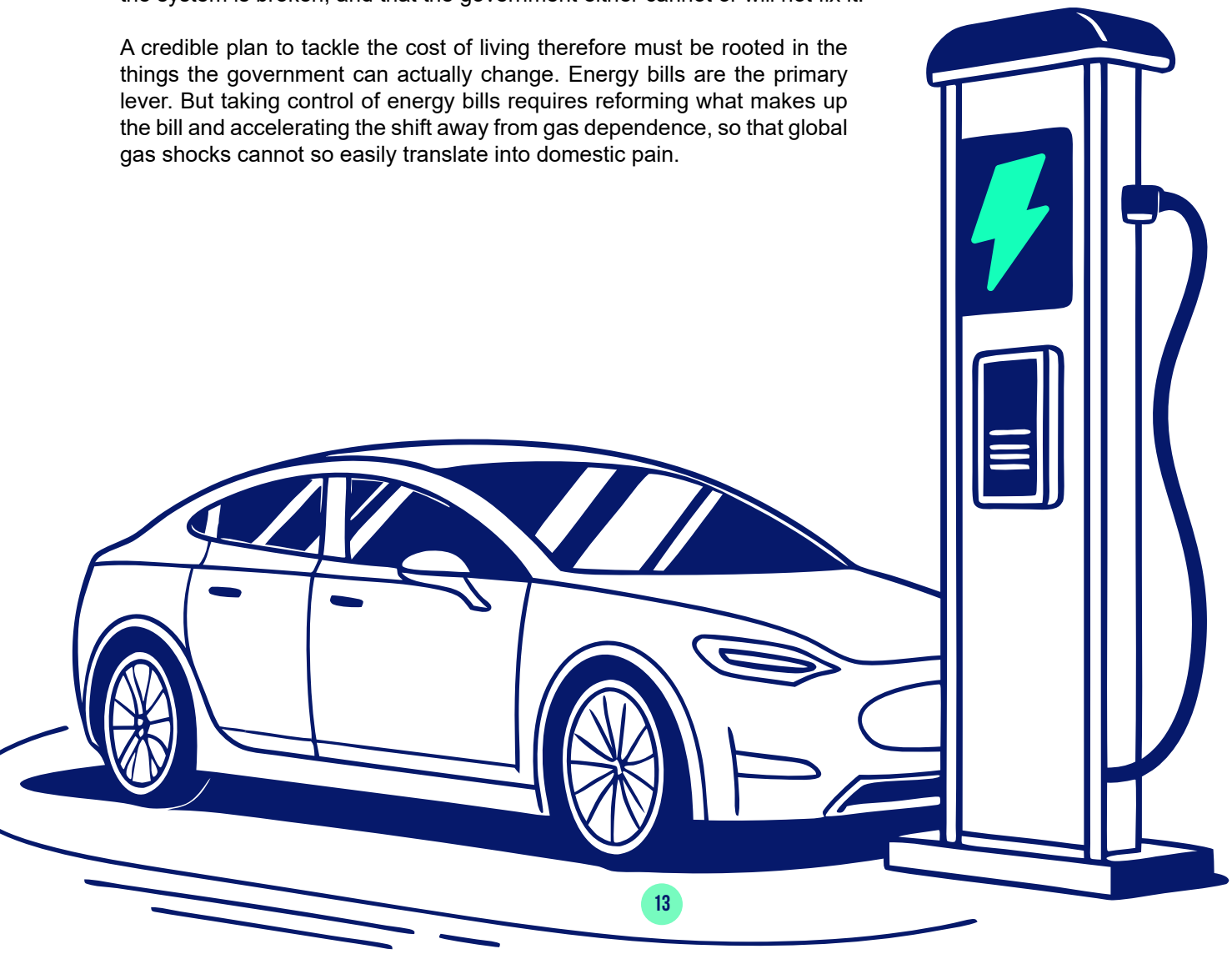
THE BILL IS BROKEN – AND THE CURRENT TRAJECTORY IS A POLITICAL DISASTER

ENERGY BILLS ARE ONE OF THE FEW COST-OF-LIVING PRESSURES THE GOVERNMENT CAN DIRECTLY INFLUENCE

The cost of living is the defining political challenge of this Parliament. But not every cost-of-living pressure is one that the government can credibly "grip" and change within the time available. Mortgage rates are shaped by global capital markets. Food prices are shaped by global supply chains. Many of the forces squeezing households sit outside the direct reach of Westminster.

Energy bills are different. They are not just determined by global commodity prices. They are heavily shaped by domestic policy choices: how networks are funded, how legacy policy costs are recovered, how carbon costs are treated, and how the overall system is regulated. That is precisely why bills have become such a potent political test. Voters may not know the detail, but they intuitively understand that the structure of the bill is political. When bills rise and then fail to fall back, the public does not just blame global events; it concludes that the system is broken, and that the government either cannot or will not fix it.

A credible plan to tackle the cost of living therefore must be rooted in the things the government can actually change. Energy bills are the primary lever. But taking control of energy bills requires reforming what makes up the bill and accelerating the shift away from gas dependence, so that global gas shocks cannot so easily translate into domestic pain.



WHAT MAKES UP AN ENERGY BILL

A HOUSEHOLD ENERGY BILL IS NOT A SINGLE PRICE SET BY A SINGLE MARKET. IT IS A COMBINATION OF SEVERAL COSTS LAYERED TOGETHER.

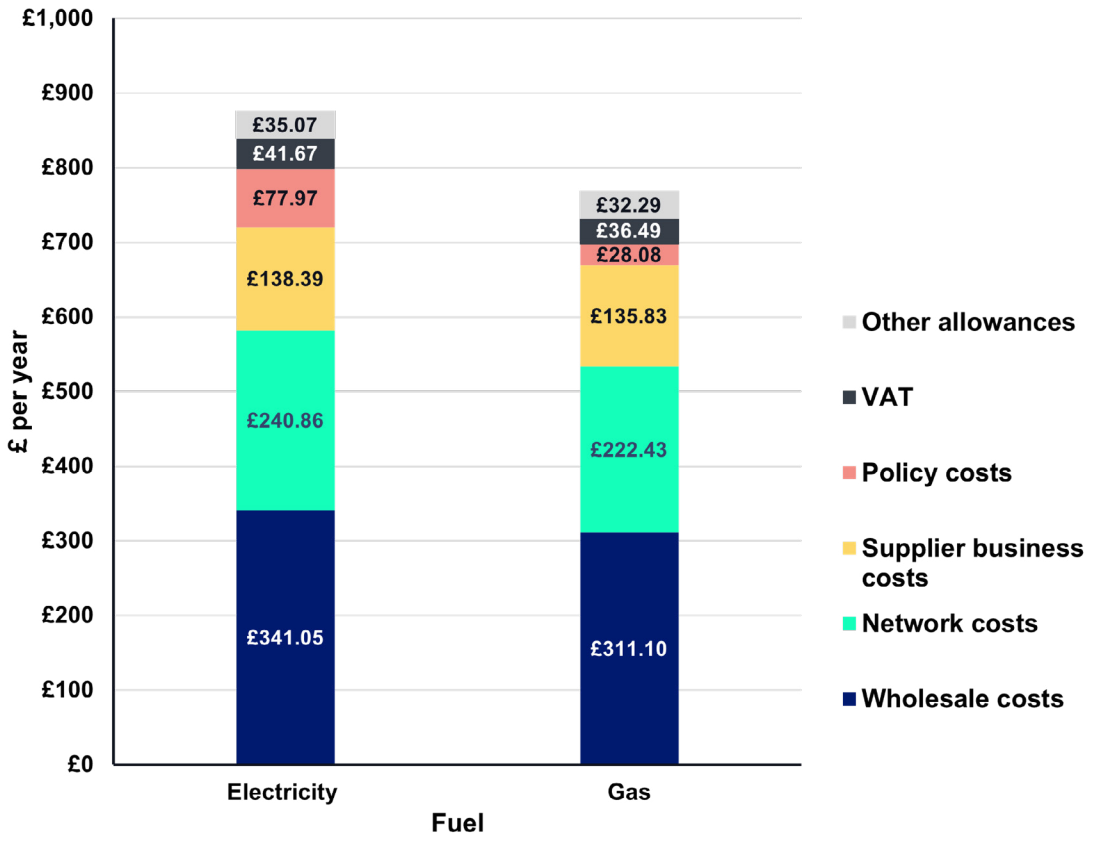


Figure 6: The costs that make up a household electricity and gas bill
Source: Flint analysis for Electrify Britain

Figure 6 illustrates that the final amount households pay for energy reflects a combination of wholesale costs, network charges, policy levies and other regulated elements. Many of these components are shaped by political and regulatory decisions. The bill, therefore, is made up of several layers rather than a single price.

The first major component is the wholesale cost. This is the actual traded cost of the gas and electricity used by households. In Britain, electricity prices are set by the most expensive (marginal) generator needed to meet demand, which is often gas. This means electricity prices remain closely tied to gas prices even as the power system becomes cleaner, and that even if wholesale prices fall, households can still face high bills as other non-commodity costs rise. Gas prices are linked to volatile global fossil fuel markets, and the conflicts in the Middle East demonstrate just how exposed this major component is to factors beyond the UK government's control.

In practice the current system means households are exposed to gas twice: directly through their heating bills and indirectly through electricity prices that are set by gas-fired generation. At the same time Britain is effectively maintaining two parallel energy systems: a legacy gas system for heating and a growing electricity system for clean power. Running and modernising both simultaneously adds costs and slows the transition to cheaper electric technologies. While other countries are increasingly aligning their energy systems around electrification, the UK risks becoming an outlier, layering short-term fixes onto a system that was not designed for the transition now underway.

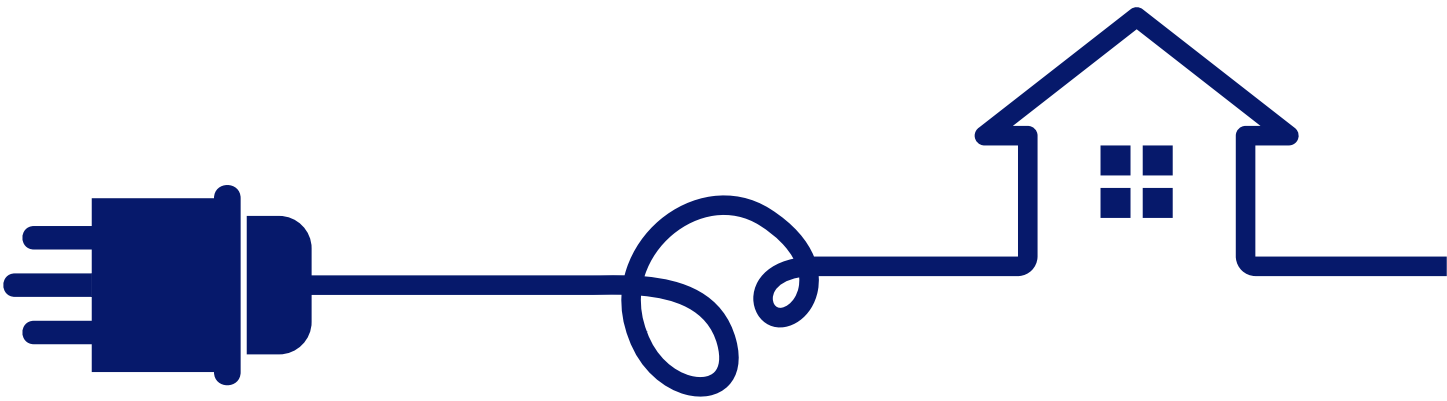
The second component is networks. Network costs fund the wires and pipes that transport energy around the country. They are a major driver of the increase in standing charges – the fixed costs on bills which households must pay regardless of usage. Network costs, particularly for the electricity system, are rising as the system requires more build and investment to transport electricity around the country from where it is generated to where it is used. These investments are needed for energy security and long-term resilience, but the question is not whether they are needed – it is how the costs are recovered and how fairly they are distributed.

At the same time, the gas network faces a long-term challenge: as electrification progresses and the number of gas customers falls, the remaining users will face rising costs unless the transition is managed carefully.

The third component is policy costs. Britain has historically funded many energy policies through levies on electricity bills. These are set out in Table 1.

The levies on electricity are almost five times higher than those on gas. The result is that electricity has become over-burdened with costs. This is not a natural feature of the energy system – it is a political choice.

There are also other allowances and costs added to the bill, including supplier operating costs, levelisation (which ensures pre-payment meter customers do not pay more than other customers), EBIT (supplier margin), and headroom (to manage uncertain costs and risks) allowances.



SCHEME	PURPOSE	LEVY ON ELECTRICITY (£ PER YEAR)	LEVY ON GAS (£ PER YEAR)
Contracts for Difference (CfD)	Provides revenue certainty to new renewables. When wholesale prices are high, these contracts mean generators pay back to consumers. But when wholesale prices are below the contract prices, a subsidy is paid to generators.	£39	
Capacity Market (CM)	Ensures security of electricity supply by providing payments to providers to be available during periods of high demand.	£43	
Renewables Obligation (RO)	Provides a 20-year subsidy to early renewables projects.	£22	
Feed-in-Tariffs (FiT)	Provides a subsidy to smaller-scale distributed renewables, like rooftop solar.	£21	
Warm Homes Discount (WHD)	Provides £150 a year to fuel poor households.	£17	£24
Assistance for Areas with High Electricity Distribution Costs (AAHEDC)	Subsidises areas in Scotland with high network charges.	£1	
Network Charging Compensation (NCC) scheme	Provides a subsidy to heavy industry.	£3	
Nuclear regulated asset base (nRAB)	Provides a subsidy for the construction of Sizewell C, a new nuclear power plant.	£13	
Green Gas Levy (GGL)	Provides a subsidy for injection of biomethane into the gas grid.		
Sub-totals		£160	£28
Total		£188	

Table 1: Policies which are paid for through levies on energy bills, broken down by electricity and gas[3]
Source: Flint analysis of Ofgem's Default Tariff Cap 2026

This table does not include levy exemptions for certain users e.g. the British Industry Supercharger for energy intensive industries, which push up the value of levies for other users. It also doesn't include future levies, like the Gas Shipper Obligation which will fund hydrogen, and the Dispatchable Power Agreement, which will fund gas fired generating stations with carbon capture and storage (CCS).

THE ELECTRICITY PENALTY

Together, these design choices create a clear distortion: electricity is consistently more expensive relative to gas than it should be. This approach is relatively unique to the British economy. As a result, the electricity-to-gas price ratio (how much electricity costs compared to gas) is artificially high. This "electricity penalty" (or spark gap) is driven by two particularly important design choices:

[3]Analysis of Ofgem's default tariff cap for 1 April to 30 June 2026. It should be noted that the costs of the CfD and CM schemes are considered as wholesale costs in the energy price cap.

First, levies and legacy costs are disproportionately loaded onto electricity. This means that electricity bills are paying historic policy costs, which do not feature in gas bills. Over time, that choice has embedded itself into the retail market and into household expectations: electricity is “expensive”, gas is “normal”.

Second, electricity carries carbon costs while household gas for heating does not. The electricity system is exposed to carbon taxes through mechanisms like the Carbon Price Support and the UK Emissions Trading Scheme (ETS), while gas burned in boilers in people’s homes is not treated in this way. This is not an argument against carbon pricing. It is an argument about the distribution of costs and the resulting price signal. This leads to a structural inflation of the price of electricity relative to gas.

The result is that households remain locked into gas not only because of technology choices, but because the price structure discourages switching. Households respond to price signals when making choices. The price signals are determined by the upfront cost as well as a comparison to other costs – the ratio between electricity and gas. The price signal determines whether a heat pump looks affordable to run. It determines whether an EV feels like a clear money-saving upgrade or a risky lifestyle change. It determines whether households trust that switching technologies will reduce costs or simply swap one kind of vulnerability for another.

In other words: the electricity penalty is not a niche technical issue, it is the hidden distortion keeping Britain in the high-bill trap. It suppresses electrification, slows the transition away from gas exposure, and keeps households on a rollercoaster where global volatility can have a material impact on domestic living standards.

It has an even sharper political implication. This is not an external inevitability, it is a problem of successive governments’ making. The structure of the bill reflects choices – which means it can be changed. The government can choose to reset the system to ‘pick’ electricity, and doing so is a visible demonstration of competence.

BILLS ARE GOING UP, AND CLEAN POWER WON’T FIX IT

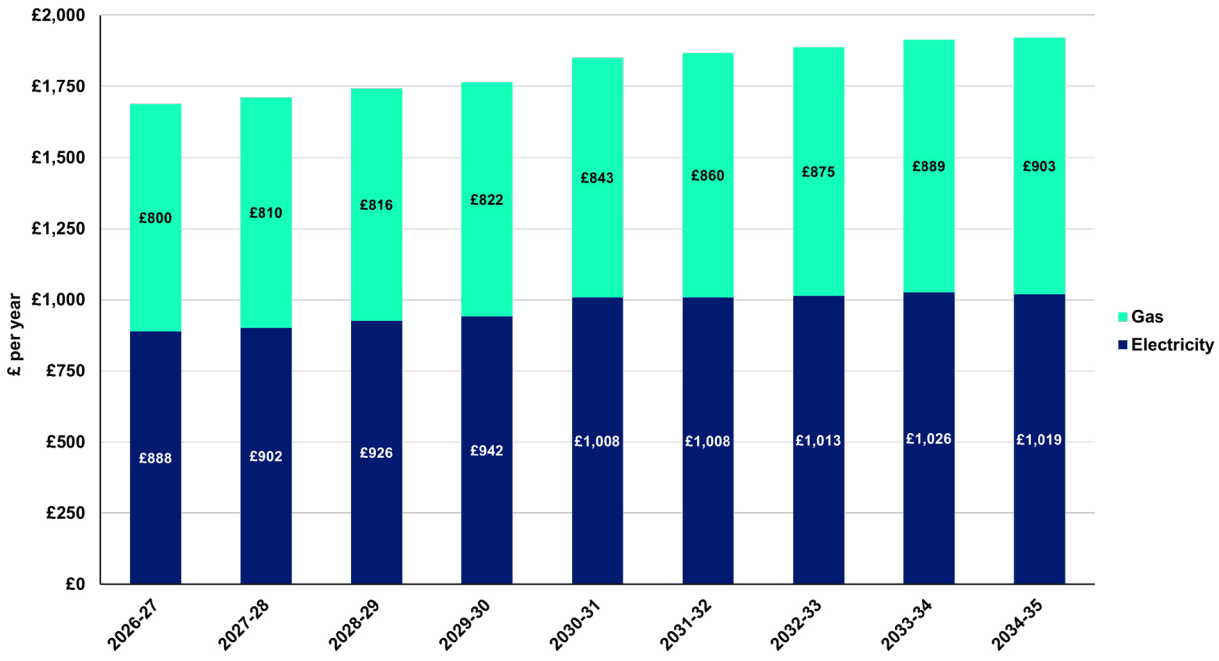


Figure 7: Modelling of electricity and gas bills through to 2035, showing the upward trajectory of bills on the government’s current policy pathway
Source: Systemiq modelling for Electrify Britain

On the UK's current policy pathway, household bills are projected to rise for each year of the next decade. Figure 7 demonstrates that on the government's current pathway – even while pursuing Clean Power 2030 (CP2030) – household bills will continue to rise for the next decade. **Independent modelling shows that a typical household's annual bill will rise from £1,689 per year in 2026-27, to £1,851 in 2030 and £1,922 in 2035.**

IN OTHER WORDS, CLEAN POWER ALONE, WITHOUT A FOCUS ON ELECTRIFICATION, DOES NOT GUARANTEE LOWER BILLS. THE PUBLIC WILL EXPERIENCE THIS AS A FURTHER FAILURE UNLESS THE BENEFITS OF CLEAN POWER ARE DELIVERED INTO HOMES AND BUSINESSES.

This is the point at which many rely on a simple assumption: that clean power will automatically lead to lower bills. With electrification, it can, and over time, it should. But households do not live "over time". They live month-to-month and year-to-year, and the mechanics of the bill mean that clean power ambitions do not automatically translate into lower energy bills.

The recent conflict in the Middle East has further demonstrated the risk of relying on a system dependent on falling wholesale costs.

There are two reasons for that.

First, even if wholesale costs fall, rising non-commodity costs will swallow the decrease. Network charges are rising as investment accelerates, rising by £108 per year for an average dual-fuel customer.[4] Consumers are still paying for legacy policy costs. And renewables supported by Contracts for Difference receive a fixed price funded through bills, no matter how low the wholesale price. Even if the generation mix becomes cheaper at the margin, retail bills may remain elevated because legacy policy costs remain embedded in electricity prices and network cost recovery continues to rise. This means that if the gas price falls, or cheap renewables (in terms of wholesale prices) dominate the electricity market, this does not necessarily translate into cheaper bills. That gap between explanation and household experience is precisely what erodes trust and fuels political anger.

Second, clean power will not fully protect households unless homes and transport electrify. This is the key missing piece in the government's programme.

The government's policy has been successful in delivering real progress on the supply side, procuring record amounts of clean power through the CfD scheme. In light of global gas market conditions, this is a good bet. But these supply-side successes will only be perceived as a success by the public if they are translated into lower household bills – which will only happen with electrification and reform of how electricity is priced.

[4]Ofgem: RIIO-3 Final Determinations for the Electricity Transmission, Gas Distribution and Gas Transmission sectors

As long as electricity remains significantly more expensive than gas per unit of energy, households have little financial incentive to switch their heating or transport, slowing electrification, and delaying the system benefits that come from higher electricity utilisation. Consumers also remain exposed to global price shocks.

The conflict in the Middle East has driven sharp volatility in global energy markets and demonstrated how quickly markets can turn – UK month-ahead gas futures surged more than 110% in response to the conflict in Iran. The ambitious levels of recent renewables procurement appear to have been a good bet to shield Britain from volatile global fossil fuel prices.[5] Except Britain is still exposed – and as long as households rely heavily on gas for heating and cooking and petrol for their cars, they are still on the rollercoaster.

Therefore, a strategy that focuses too heavily on the last mile of supply-side decarbonisation, without an equally ambitious and radical demand-side electrification plan, risks delaying the route out of the permanent high-bill trap.

This is why the bills agenda and the electrification agenda are inseparable. Clean power procurement, grid investment and market reform are necessary, but not sufficient. To genuinely fix the political and economic problem, the government must get households off gas – and it must do so in a way that allows people to benefit from clean, stable-priced electricity in their homes, and in their transport.

THAT IS WHAT MAKES THE CURRENT TRAJECTORY A POLITICAL DISASTER, AND WHAT MAKES A STRUCTURAL RESET OF BILLS, COUPLED WITH A REAL DEPLOYMENT ENGINE FOR ELECTRIFICATION, THE ONLY CREDIBLE ROUTE OUT.

[5] 14.7GW of onshore and offshore renewable energy was procured at the latest renewables auction.

THE BILL RESET: STRUCTURAL REFORM, NOT STICKING PLASTERS

To deliver meaningful impact, the government needs to address the legacy costs embedded in the system, network constraint costs and the lagging demand-side uptake, which are all driving energy bills up.

The energy bill is broken: a bill reset is needed. Structural reforms are essential to deliver lasting change to the system, not sticking plasters.

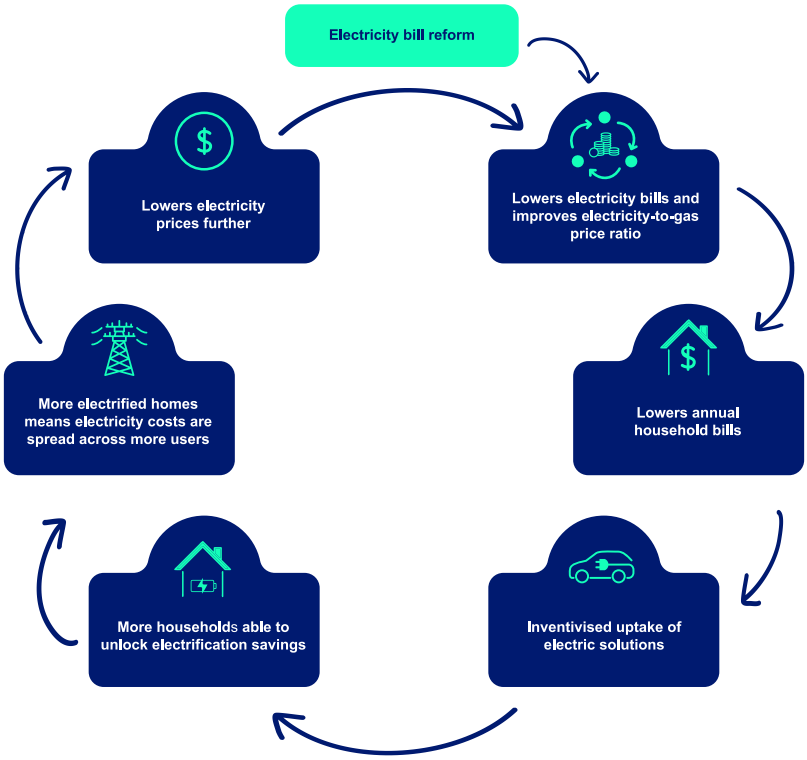
Households want bills to fall permanently, not temporarily. A one-off reduction, followed by more rises, will only further damage trust in the government.

Three reforms are central: removing legacy policy costs from electricity bills, correcting the electricity-to-gas price signal, and enabling demand flexibility. All three are in government's gift.

Without policy reform, if wholesale prices fall, network and policy components become relatively more significant, and system costs that have been deferred or under-recovered reassert themselves.

Recent governments have put enormous political and institutional focus on supply: on building more generation, reforming planning, and accelerating connections. Those are necessary. But if electricity remains expensive relative to gas, households will switch more slowly. That slows electrification, which in turn limits the system benefits that come from higher utilisation of electricity infrastructure and increased flexibility. In effect, the system fails to capture the dividend of the investments it is making.

.



A credible package of reform is needed to reduce electricity prices and accelerate demand electrification

A COHERENT PACKAGE OF REFORM CAN ACHIEVE TWO OUTCOMES THAT SIMULTANEOUSLY BRING DOWN BILLS AND ACCELERATE ELECTRIFICATION:

1. Reduce electricity prices relative to gas prices;
2. Create credible, stable prices.

Together, if a credible reform package is applied to the government's current ambition[6], annual bills for a typical dual-fuel household[7] would reduce by £245 a year relative to the current trajectory by 2035. This improves the electricity-to-gas price ratio by 1 point – reducing from 4.7 in 2035 to 3.6. NESTA estimates that when the ratio reaches 3.3 or below, heat pumps become cheaper to run than gas boilers.[8]

In practice this transition would likely need to be phased. Government could begin by moving the largest legacy levies — such as the Renewables Obligation — into general taxation, with other schemes following over time. A phased approach would allow ministers to deliver visible, durable reductions in electricity bills as each reform takes effect. Australia's recent "war on bills" framing under the Albanese government provides a useful example of how governments can build public trust by consistently reducing costs through structural reforms rather than relying on temporary subsidies or short-term price caps. This approach allows governments to demonstrate steady progress on lowering bills, rather than relying on large but temporary interventions that quickly lose credibility.

[6]All modelling results in this analysis assume a Current Ambition scenario. This assumes that all government current ambitions continue in the baseline. This results in continued supply-side transition in line with Clean Power by 2030 ambition, but limited progress on electrification.
[7]All bill impacts in this section are quoted for a typical dual-fuel household without a car.
[8]Nesta: Tax-free electricity. (2025).

A CREDIBLE REFORM PACKAGE OVER THE NEXT FIVE YEARS SHOULD INCLUDE:

i. Moving legacy policy costs into general taxation

This reduces annual energy bills for a dual-fuel household by £19 by 2035.

Historical support schemes such as Renewables Obligation and Feed-in Tariffs were designed when renewable technologies were nascent. Many of these costs are now legacy commitments.

Shifting these costs from electricity bills into general taxation would:

- reduce the unit price of electricity;
- spread costs more progressively across income; and
- correct distortions that penalise electrification.

HM Treasury has already taken steps in this direction by moving a significant share of domestic RO costs into taxation. The government also committed to removing the Energy Company Obligation. Both decisions have been steps in the right direction to correcting the price signals between electricity and gas. Completing this transition would lock in structural reductions in electricity prices.

ii. Removing VAT from electricity

This reduces annual energy bills for a dual-fuel household by £38 by 2035.

Electricity currently attracts VAT at 5% for domestic users. Removing VAT from electricity, while maintaining it on gas, would immediately improve the electricity-to-gas price ratio and support electrification. The fiscal cost must be weighed against the macroeconomic and political benefit of permanently lower bills.

iii. Reforming Carbon Price Support

This reduces annual energy bills for a dual-fuel household by £1 by 2035. Other levers will have a far more significant impact than removing carbon price support, but this reform ensures the treatment of carbon-related costs does not reinforce the distorted price signals between gas and electricity. The application of CPS is well intentioned but reflects an outdated system and is currently unintentionally contributing to the penalty for consumers electrifying.

CPS is an additional carbon tax introduced while the UK carbon price was low and volatile, with the aim of phasing out coal power from the grid. We no longer use coal power, yet CPS remains in place and applies to gas power generation. This increases wholesale electricity costs, as the cost of gas generation often sets the price of electricity – CPS increased electricity costs by more than £3.50 for every £1 it generated for the Exchequer in 2024.[9] Reforming its application, particularly as the power system continues to, could reduce costs without undermining objectives of the energy transition.

As the marginal generation mix becomes increasingly low carbon, the rationale for certain carbon price additions on electricity weakens. Any removal of Carbon Price Support should only be considered once the UK ETS linkage and trading framework is in place from 2028.

[9]Centre for British Progress: Cut bills & boost electrification by removing carbon price support (October 2025)

iv. Ruling out future levies on bills

This reduces annual energy bills for a dual-fuel household by £64 by 2035.

Future levies on bills – including support for carbon capture and storage, hydrogen production or other emerging technologies – should not be automatically loaded onto retail electricity bills. Clear political direction that households will be shielded from new levies would stabilise expectations.

Where a public good is being funded, general taxation is often a more progressive and economically efficient route than electricity bill levies. At present, the consumer will be charged for technologies yet to be proven at scale. This also sets important precedent; the government should not look to fund any future technology or industry support scheme on energy bills: charging households for business infrastructure is regressive.

v. Removing electricity network costs

This reduces annual energy bills for a dual-fuel household by £122.

While major grid investment is critical to enable renewables, meet growing demand and improve system flexibility, the way these costs are passed on carries clear political and economic risks. For consumers, these costs tend to show up in higher standing charges, which can feel unclear and unfair if not transparently and equitably designed. Meanwhile, the gas network faces mounting pressure as electrification shrinks its user base but leaves fixed costs largely unchanged. This dynamic risks pushing up costs for remaining households and, without careful management, could disproportionately impact those least able to transition.

Figure 8 shows that delivering this package of reform could reduce a dual-fuel household's annual bill from £1,930 to £1,685 in 2035.

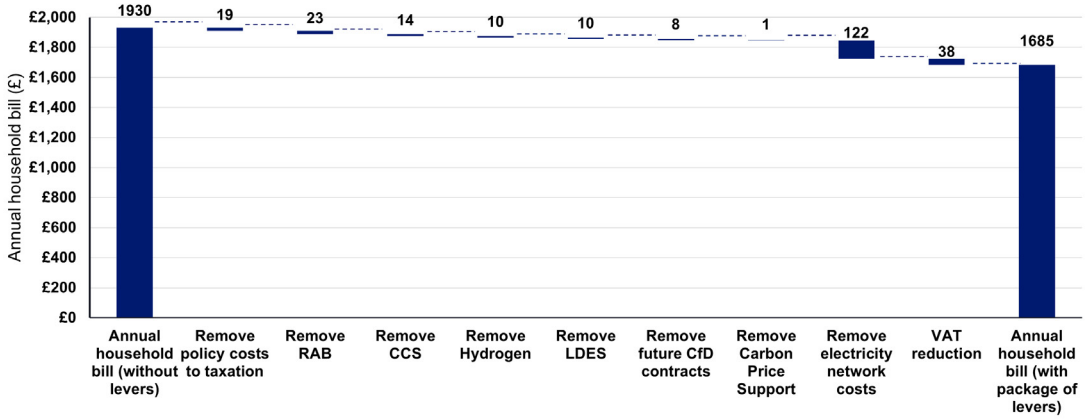


Figure 8: Total typical dual-fuel household's annual bill in 2035
Source: Systemiq modelling for Electrify Britain

BUT TO DELIVER CHANGE TAKES TIME.
WHICH IS WHY THE GOVERNMENT NEEDS TO ACT NOW, AND ELECTRIFICATION IS THE BEST WAY FOR IT TO ACT.

THE ELECTRIFICATION DIVIDEND: WHY ELECTRIFICATION IS THE DURABLE ROUTE OUT

Electrification matters not just for long-term system change, but for household bills today. Electric technologies use energy more efficiently and reduce exposure to volatile gas markets.

Electrification is cheaper. Even without reform. Energy bill reform will:

- Incentivise more people to switch to electric solutions and unlock these benefits
- Compound the benefits of electric solutions through cheaper electricity prices

A dual-fuel household that switches to an electric vehicle and a heat pump can reduce their bills by £725 annually in 2035 (based on current forecast prior to applying policy levers). Going on a time-of-use tariff can reduce bills by a further £194, even before policy levers are applied. Electrified households are also more resilient to energy gas price spikes. If there was a 30% gas and oil price increase, a fully electrified household would only see annual energy bills rise by around 1.7%, compared to a dual-fuel household which would experience an increase of 13.5% in 2035.

ELECTRIFIED HOMES ARE CHEAPER TO RUN THAN DUAL-FUEL HOUSEHOLDS

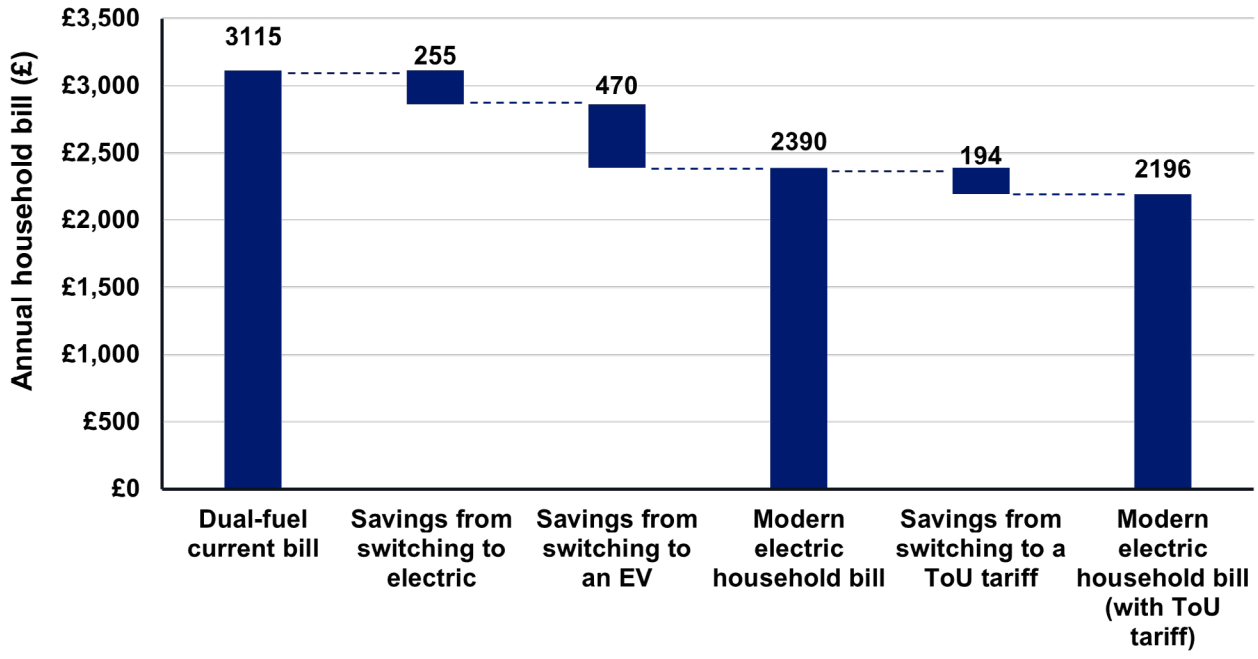


Figure 9: Annual bill for a dual-fuel household switching to electric solutions in 2035
Source: Systemiq modelling for Electrify Britain

AN ELECTRIC HOUSEHOLD IS CHEAPER AND MORE EFFICIENT TO RUN, LOWERING OVERALL HOUSEHOLD BILLS

Switching from a typical dual-fuel household to a modern electric household would reduce the annual bill by 23% in 2035. An electrified home is cheaper to run than a dual-fuel home because electric technologies are far more efficient in converting energy into useful services.

Solar power combined with battery storage is more efficient than gas. It generates electricity without burning fuel and wasting energy as heat. Batteries store excess solar energy too, increasing overall efficiency of the system. Combined with smart tariffs, home energy storage and demand response, electrification allows households to shift consumption toward cheaper periods, further reducing costs.

HEAT PUMPS ARE MORE EFFICIENT

Heat pumps are 3 to 4 times more efficient than gas boilers.[10] This can generate significant savings for an electric household compared to one that is heated by gas. **Switching from a gas boiler to a heat pump could save around £255 per year by 2035.**

SWITCHING FROM A PETROL CAR TO AN ELECTRIC VEHICLE REDUCES BILLS SIGNIFICANTLY

Electric vehicles are significantly cheaper to operate compared to petrol cars. Electricity is typically much cheaper to run per mile than petrol, and EVs are more energy efficient – they convert energy into movement far more efficiently than internal combustion engines. The recent introduction of pay-per-mile charges for electric vehicles has now undermined the governments EV incentives, discouraging consumers to switch to electric vehicles. Switching from a petrol car to an electric vehicle could reduce annual household energy costs by around £470 in 2035.[11]

ELECTRIC VEHICLES ALLOW HOUSEHOLDS TO LEVERAGE THE BENEFITS OF TIME-OF-USE TARIFFS

EV owners can also save more by charging when electricity prices are lowest. **A dual-fuel household with a petrol vehicle who switches to an EV and goes on a time-of-use tariff with an EV, can save a further £194 on annual energy bills.**

Electricity demand flexibility lowers system costs by reducing peak demand and utilising renewable generation more effectively. Flexibility is the ability to shift energy response to times during lower demand on grid, reducing constraints on the system. Location matters: when grids are constrained, renewable generation is shut off and gas is fired up. This is costly and an ineffective way of generating electricity, and flows through to more expensive electricity.

Introducing default time-of-use tariffs – with appropriate protections – would lower average system costs and enable consumers to benefit from cheaper off-peak electricity.

[10]Gas Boiler vs Heat Pump: What's Best for UK Homes? | Octopus Energy
[11]This is based off at-home charging rates rather than public charging. It is worth noting that public charging rates are more expensive.

ELECTRIFICATION PROTECTS HOUSEHOLDS FROM GAS AND OIL PRICE SHOCKS

Electrified households are also less exposed to global gas price shocks. During the 2022 energy crisis, the price cap increased by 54% in April, and would have increased by 80% without the government intervention.[12] **If there was a 30% gas and oil price increase, a dual-fuel household would experience an increase in annual energy bills by 13.5% in 2035. A fully electrified household would see bills rise by only around 1.7%.**

The last energy crisis in 2022 cost the government £25 billion to mitigate against significant energy bill rises. This cannot be repeated.

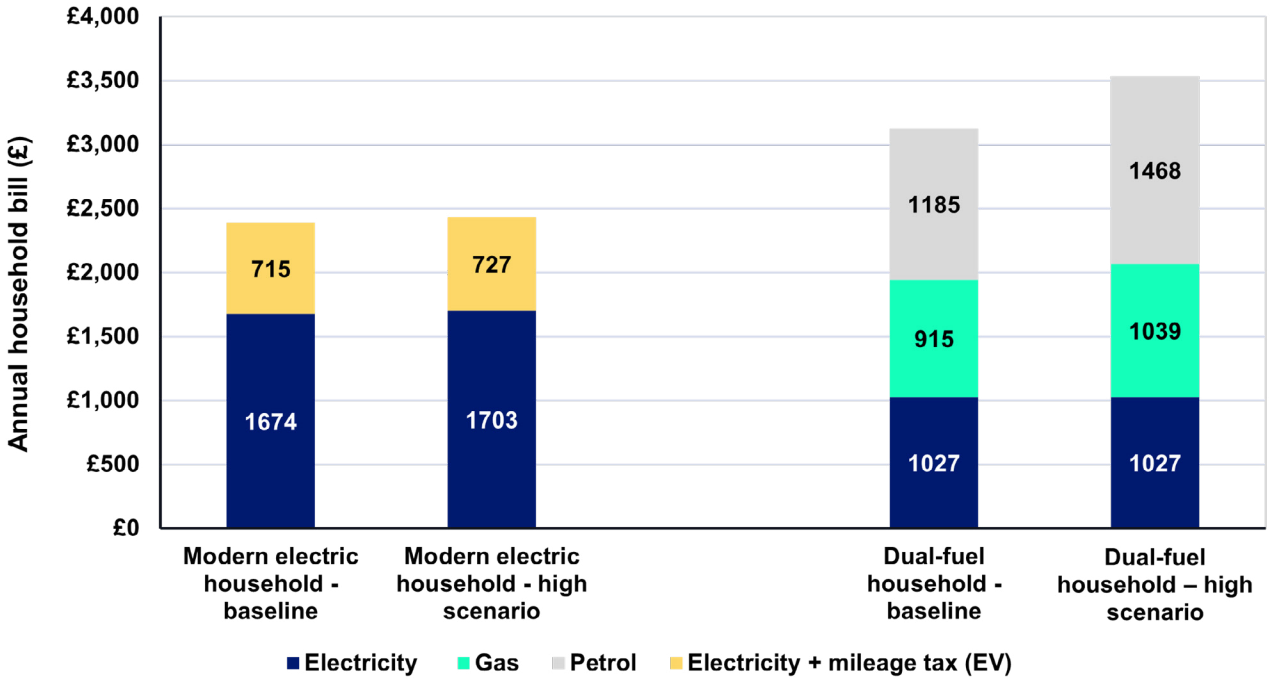


Figure 10: The impact of gas and oil price spike on annual household bill (2035)
Source: Systemiq modelling for Electrify Britain

[12]Gas and electricity prices during the 'energy crisis' and beyond

WHAT IS A MODERN ELECTRIC HOUSEHOLD?

A modern electric household is defined by how it meets its core energy needs: heating, hot water, cooking and transport.

The defining feature is that the household no longer relies on gas combustion for its main energy services.

In a traditional dual-fuel home, gas provides heating, hot water and often cooking, while electricity powers appliances and lighting. In a modern electric household, those same services are delivered primarily through electricity – most commonly via a heat pump for heating and hot water, an electric vehicle for transport, induction cooking, and increasingly some combination of rooftop solar, battery storage or smart controls.

A modern electric household is also different in how it interacts with the wider energy system. Through smart meters, time-of-use tariffs and automated controls, it can shift consumption to periods when electricity is abundant and cheaper. An electric vehicle can charge overnight. A heat pump can pre-heat a home when power prices are low. A rooftop solar system with a battery can store electricity for later use. In doing so, the household is not just a passive consumer but a participant in balancing the system.

In economic terms, the modern electric household uses less energy, uses it more flexibly, and is less vulnerable to global fuel shocks.

LOWER ELECTRICITY PRICES INCENTIVISE UPTAKE OF CLEAN ENERGY, ALLOWING MORE HOUSEHOLDS TO UNLOCK THE GAINS OF ELECTRIFICATION

Our independent modelling shows that improving the electricity-to-gas price ratio could significantly increase heat pump uptake. Implementing the recommended policy package would reduce the ratio from 4.8 to 3.9 over the 10-year period: an average reduction of around 22%. As shown in Figure 11, **this would increase heat pump installations by around 200,000 per year on average, delivering approximately 2.2 million additional heat pumps over the decade.**

This growth would support the government's ambitions. Annual uptake would be around 70% higher than in 2025, when approximately 125,000 heat pumps were sold. **By 2030, our proposed bill reforms would deliver around 210,000 additional installations – almost half of the government's Warm Homes Plan target of 450,000 heat pump installations per year.**[13]

The government has expanded their eligibility of the £150 discount within the Warm Homes Plan to an additional 2.7 million households – costing £405 million per year. This is estimated to deliver £130 net gain for higher usage households who traditionally received the discount, and £110 for lower using households who didn't previously receive the discount.[14]

[13]Warm Homes Plan: Technical annex. UK Government.
[14]Public analysis from Citizens Advice

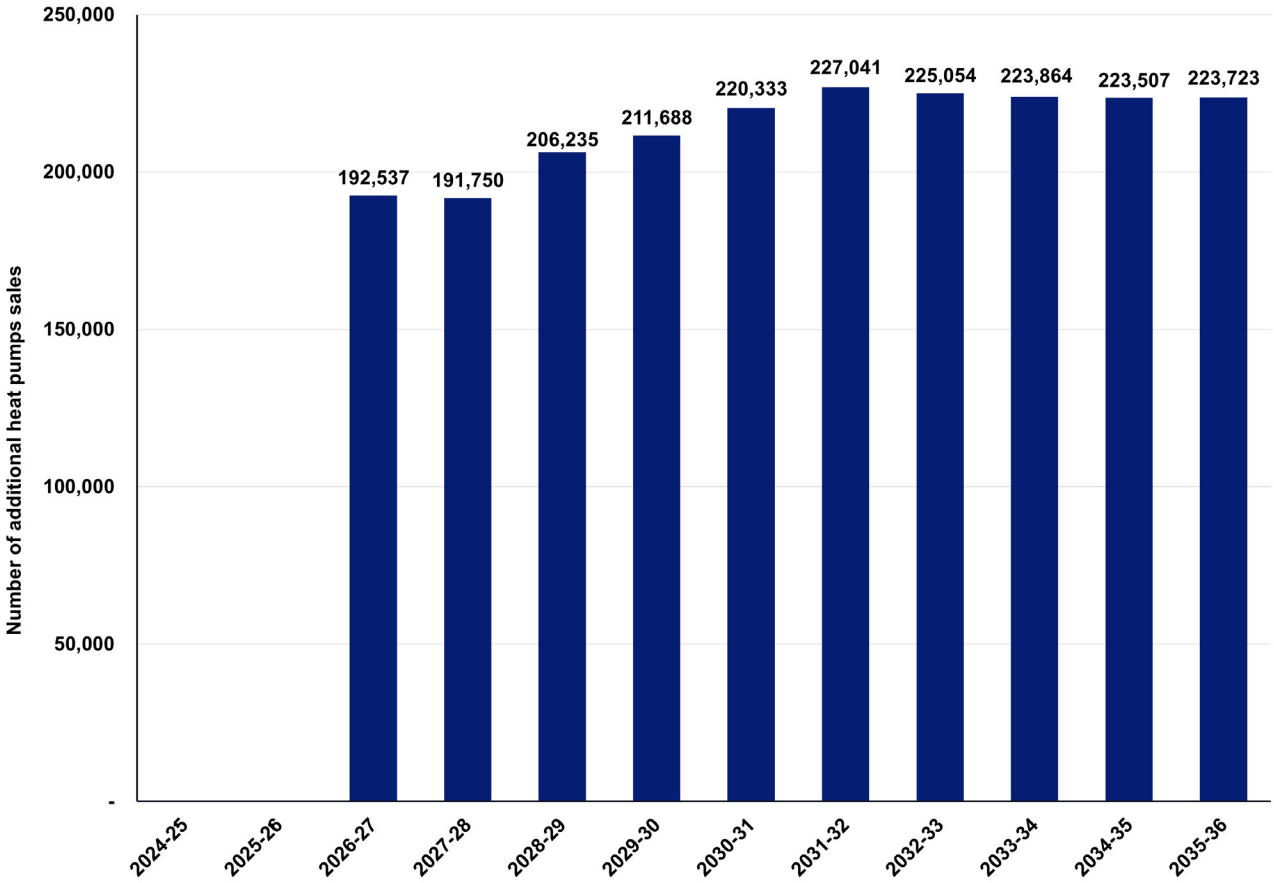


Figure 11: Additional annual heat pump sales from improving electricity-to-gas ratio[15]
Source: Flint Global modelling for Electrify Britain

As with nearly all goods, if the cost goes down, a customer's willingness to purchase goes up. For electric vehicles, running costs – particularly electricity prices – are a key part of the ownership decision. Households compare the cost of charging with the cost of petrol or diesel. That comparison shapes perceived savings over time. If electricity is relatively expensive, the financial advantage narrows, dampening uptake.

With the package of policy levers applied, electricity prices fall by an average of 22% per year. As shown in Figure 12, **this would increase EV sales by around 85,000 per year on average, equivalent to almost 850,000 additional EVs over the 10-year period.**

This is an additional c.5% more electric vehicle sales per year above our forecast which grows from 690,000 in 2025, growing to 1.9 million in 2035. This is particularly important given recent pay-per-mile charges for EVs, which have weakened the government's EV incentives.

[15]In this case, the elasticity applied (how much consumers change their purchasing behaviour when prices change) in our independent modelling is relatively conservative. This is because the additional costs of an EV remain high compared to a petrol or diesel vehicle. Factors that shape this elasticity include charging infrastructure limitations, time taken to charge EVs, maintenance and repair costs, and upfront purchase cost. Elasticity derived from European Heat Pump Market and Statistics Report, 2024.

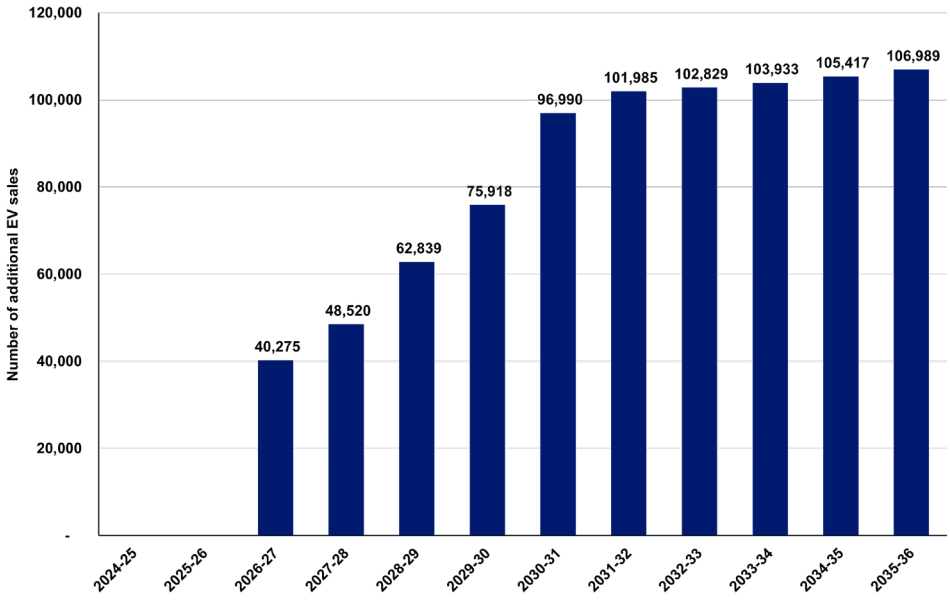


Figure 12: Additional annual electric vehicle sales from reducing electricity prices[16]
Source: Flint Global modelling for Electrify Britain

A household switching to a time-of-use tariff allows them to optimise use of their electricity grid and benefit from lower charging costs, typically overnight. Switching to a time-of-use tariff, with the package of reform, would facilitate a combined c.50% reduction in prices. If EV charging prices decreased by 50% per MWh on average per year, this would result in an additional 130,000 EVs per year on average. This is an extra c.55,000 EVs per year on average from time-of-use tariffs.

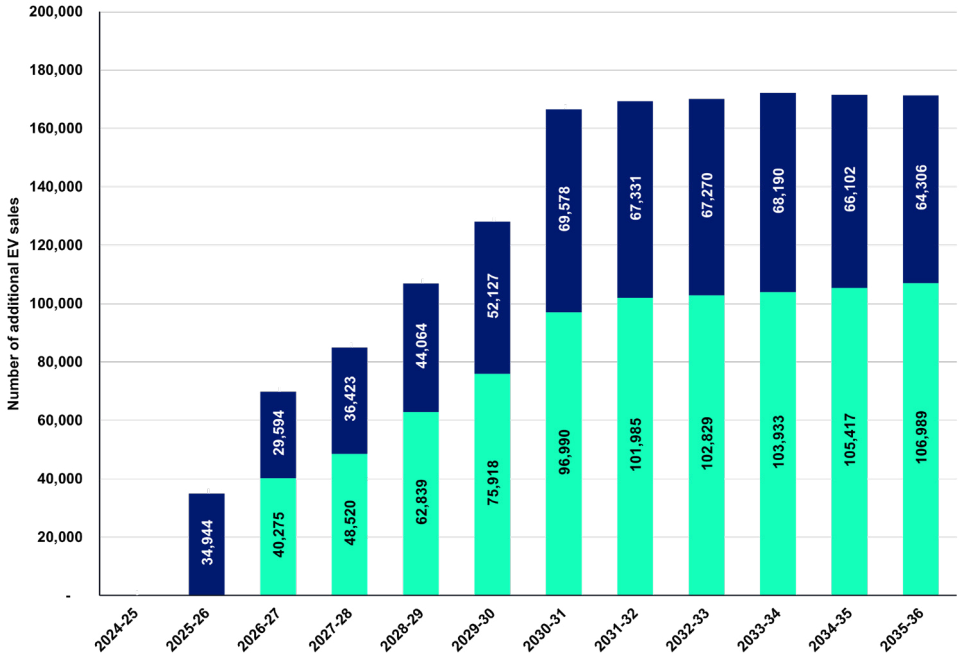


Figure 13: Additional annual electric vehicle sales from lower costs through time-of-use tariffs
Source: Flint Global modelling for Electrify Britain

[16]Elasticity from National Bureau of Economic Research: Energy prices and electric vehicle adoption, 2022

The UK Government introduced the Electric Car Grant in July 2025 to reduce the upfront cost of battery electric vehicles. The scheme, funded to 2030, offers up to £3,750 off eligible EVs priced at £37,000 or below. Applied automatically at the point of sale, the grant aims to improve EV affordability and accelerate adoption as part of wider transport decarbonisation policy.

Figure 14 shows that if the upfront cost of a £30,000 vehicle reduced by £3,000 (in the form of grants, lower technology costs, or other financial support), EV sales could increase by c.60,000 per year on average.

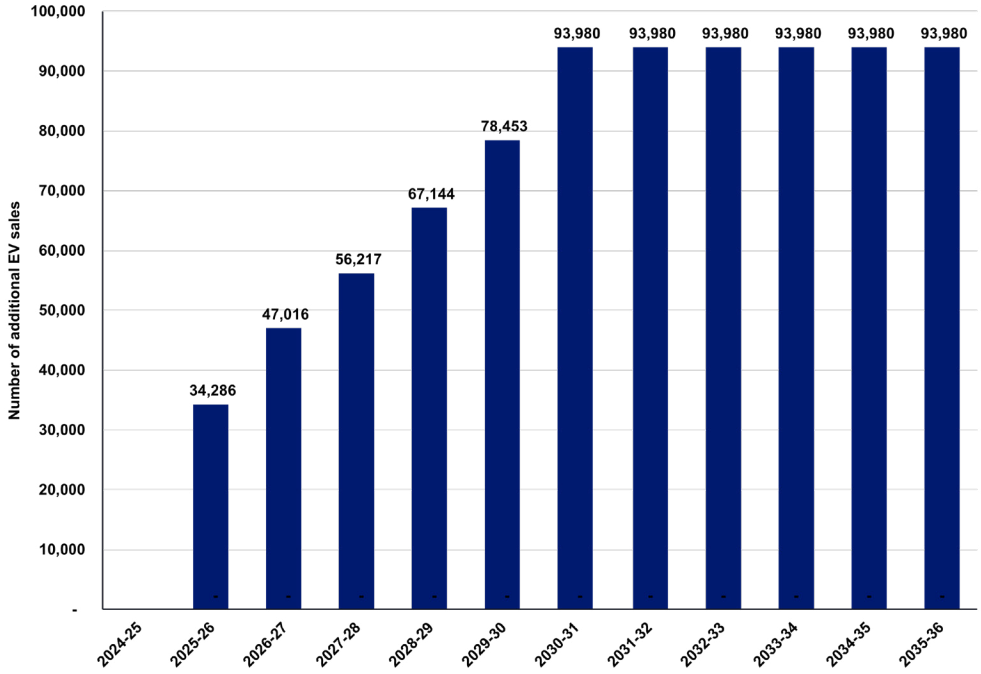


Figure 14: Additional annual electric vehicle sales from reducing upfront costs
Source: Flint Global modelling for Electrify Britain

Consumers do not perceive electricity prices for charging their car in the same way they do fuel prices, particularly because the upfront cost is a greater barrier to buying an EV than a fossil-fuel car. As the purchase price of an EV reduces, a consumer might become as price sensitive to electricity prices for charging as with petrol in a standard fossil-fuel car. This is because the cost of fuelling (or charging in the case of an EV) becomes a greater portion of the lifetime cost of the EV.

Under this assumption, a **22% reduction in electricity prices would increase EV sales by around 210,000 per year on average** (Figure 15), which is over 100,000 more per year than our original estimate. Over the 10-year period, this is equivalent to just over 2.2 million.

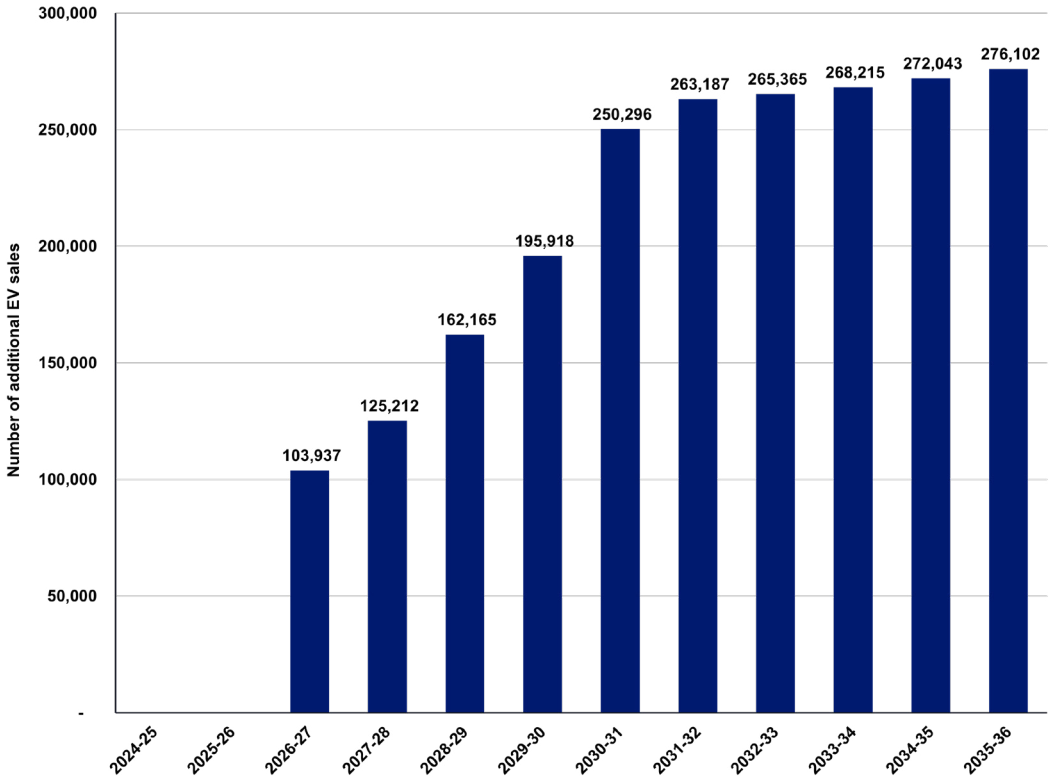
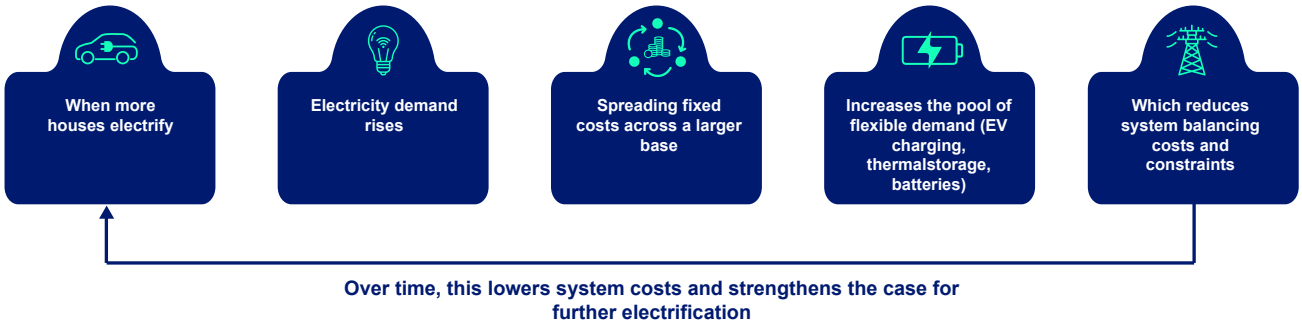


Figure 15: Additional annual electric vehicle sales if consumers were as sensitive to electricity prices as they are to fuel prices[17]
Source: Flint Global modelling for Electrify Britain

Uptake matters because uptake is not simply a consumer preference issue; it is a system outcome.



Politically, this is crucial. It allows the government to tell a story of cumulative gains. Instead of announcing temporary relief and hoping households notice, the government can point to a consistent trajectory: the electricity penalty is being removed, switching is accelerating, and bills are falling structurally because the system is being modernised.

Correcting price signals through policy reform incentivises adoption of electrified clean technology, allowing more consumers to unlock the cost savings of electric households. But other barriers exist, which is why mechanisms to support consumers electric transition are needed alongside policy reform.

[17]In this case, a less conservative elasticity (how much consumers change their purchasing behaviour when prices change) has been applied to reflect the greater sensitivity to price.

FROM RESET TO UPTAKE

TURNING BILL REFORM INTO ELECTRIFICATION

A structural reset is needed. Many of these solutions and recommendations have been discussed before and their benefits are proven. There must be a structured holistic plan for delivering the policy reform required.

Bill reform improves the economics of electrification by lowering electricity prices relative to gas. However, additional policies are needed to address barriers such as upfront costs, financing constraints and access to technologies. The following measures would help ensure households can respond to improved price signals.

Policy recommendation	Bill impact	Impact on price signal	Fiscal cost and HMT exposure	Political palatability	Deliverability this parliament
Bill reform policies					
Remove remaining legacy levies (RO/FiT)	High	High	Medium	Medium	High
Rule out new bill-based levies (CCS/H2)	Medium (future impact)	High	Medium	High	High
VAT removal on electricity	High	High	High	High	High
Reform CPS	Low	Medium	Low	Low	High
Network settlement reform	Very high	Medium	Medium	Medium	Medium
Deployment engine policies					
Default time-of-use tariffs	Medium	High	Low	High	High
Electrification tariff	Medium	High	Low	High	High
Electrification zones	Medium	Medium	Medium	High	Medium
“Switch and save“ national offer	High	High	Medium	Medium	High
Accelerated solar and battery aggregation	Medium	Medium	High	Medium	Medium
Improved data matching / targeting	Low (direct)	Low	Low	Low	High
Fairness measures	Medium	Medium	High	High	High

Table 2: An assessment of the impact and deliverability of the recommended policy package
Source: Flint analysis of impacts for Electrify Britain

1. REMOVE THE ELECTRICITY PENALTY

Removing costs from electricity bills would correct the distortion between gas and electricity bills, which currently penalises consumers for electrifying.

The first and most important lever is to remove legacy levies off electricity bills

Removing policy costs into taxation would reduce a dual-fuel household's annual bill by £19 in 2035. Removing future legacy levies (RAB, CfDs, LDES) would reduce a typical dual-fuel household's annual bill by a further £40 pounds.

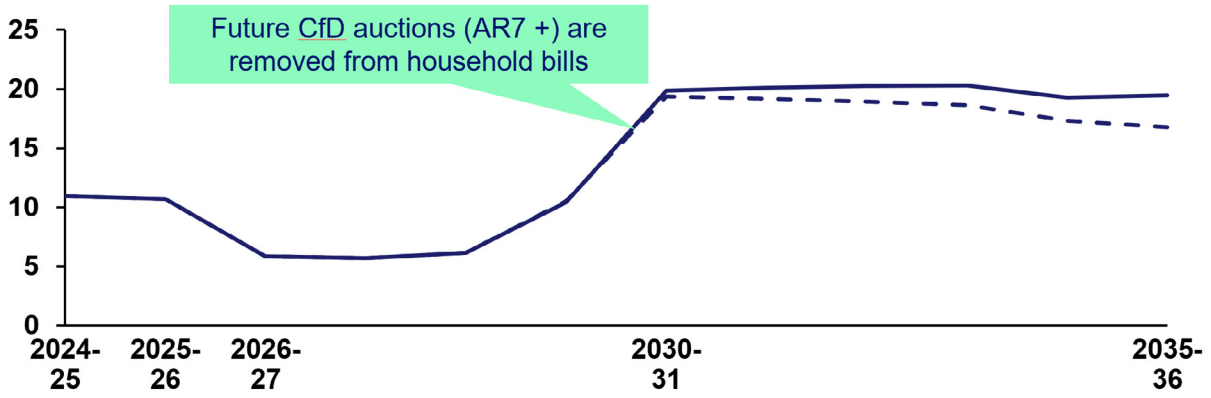


Figure 16: CfD costs – baseline vs lever (£/MWh)
Source: Systemiq modelling for Electrify Britain

Correcting the price signals requires legacy levies to be moved off electricity. This is the most important structural reform because it directly targets and corrects the electricity penalty. It also has a clear political logic. Electricity is the route out of the bills trap.

If the government wants households to electrify, it cannot continue to load historical costs disproportionately onto electricity. Shifting those costs into general taxation spreads them more fairly, reduces the price ratio distortion, and creates a signal that the government is willing to take politically meaningful action rather than rely on temporary rebates.

This is not costless though. Moving levies off bills means funding them elsewhere. A sensible approach is to use a defined transition period and a clearly identified funding channel, such as a ringfenced rebalancing mechanism linked to carbon revenues or general taxation. The advantage of an explicit mechanism is that it builds credibility and avoids the accusation that the government is simply "hiding" costs. It also allows a gradual transition that can be managed alongside protections for vulnerable households and a strategy for the declining gas network.

The second lever is VAT reform

Reduction in VAT could reduce a dual-fuel household's annual bill by £38 by 2035.

VAT reform, including the equalisation of public EV charging, has particular policy and political significance because it is both material and visible. VAT is widely understood by households and features clearly on bills and receipts; changes to its application are therefore immediately legible. Removing or reducing VAT on electricity would constitute a transparent signal that the government is actively correcting the structural imbalance between electricity and gas. In our independent analysis, VAT is adjusted off electricity bills from 5% to 0%.

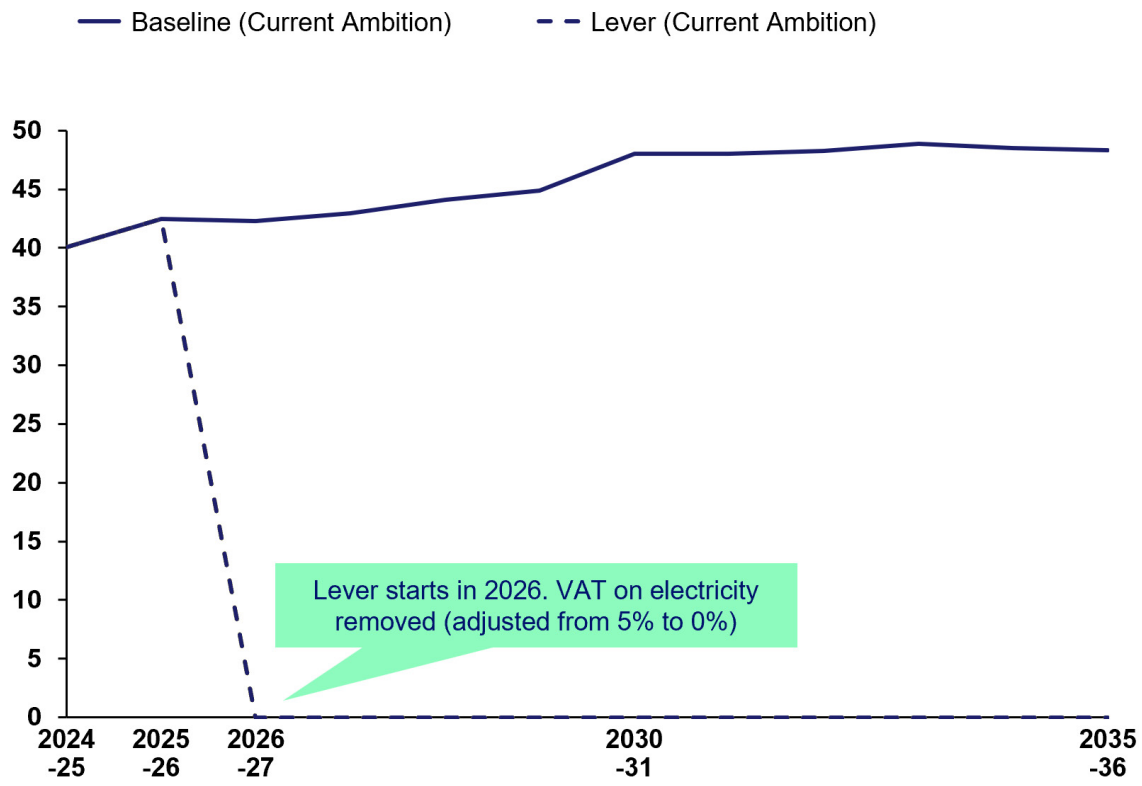


Figure 17: VAT (elec.) costs for typical dual fuel – baseline vs lever (£ annual)
Source: Systemiq modelling for Electrify Britain

Equalising VAT on public EV charging is especially important from a distributional perspective. Households without access to off-street parking are currently subject to a higher effective tax rate when charging their vehicles, creating an inequity between homeowners with driveways and renters or urban residents. If electrification is to function as a broad-based living standards strategy, rather than a policy disproportionately benefiting higher-income households, these structural disparities must be addressed.

The third lever is reforming Carbon Price Support.

Removing Carbon Price Support would reduce a dual-fuel household's annual bill by £1 by 2035. Although the direct bill impact is small, reform is critical to ensure that the treatment of carbon-related costs within electricity pricing does not inadvertently reinforce the existing distortion between electricity and gas as the generation mix decarbonises. As renewables become the dominant source of power, the continued layering of certain carbon price elements onto electricity risks amplifying the electricity penalty without delivering commensurate system benefits.

Carbon policy should therefore be designed so that it supports, rather than constrains, electrification. In this context, reform or removal of the Carbon Price Support should only be considered following UK ETS linkage and once the 2028 trading framework is in place.

2. Do not load expensive, untested technologies onto bills.

Removing future hydrogen and CCS levies could reduce a dual-fuel household's annual bill by £24 by 2035 (£10 and £14 respectively).

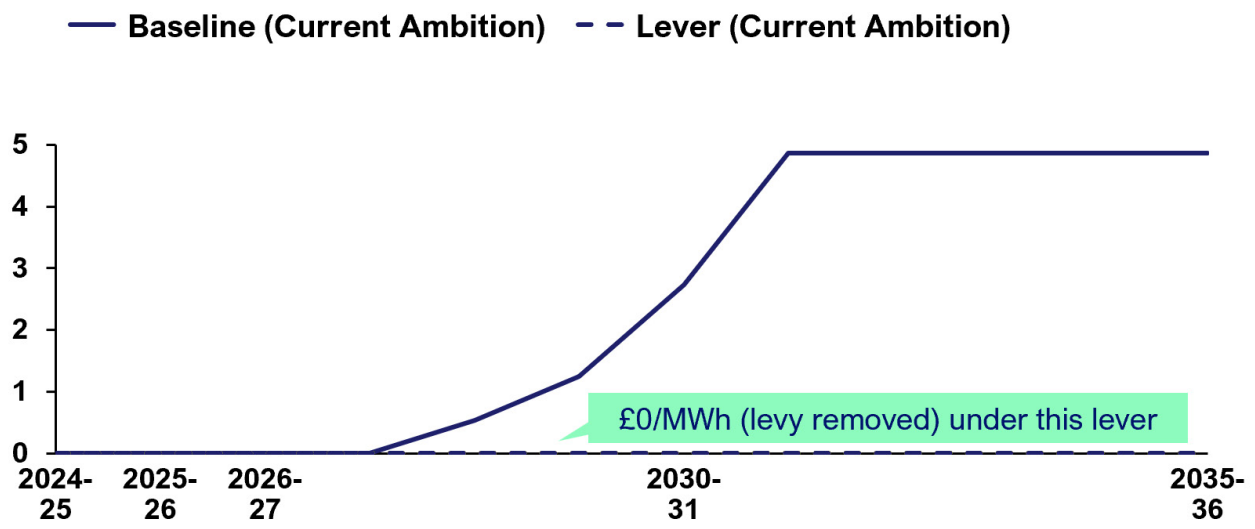


Figure 18: Future levy (CCS example) – baseline vs lever (£/MWh)
Source: Systemiq modelling for Electrify Britain

The recovery of strategic technology costs through retail electricity bills should not be treated as the default. The allocation of policy costs across funding channels has distributional, economic and political implications. Where technologies serve strategic, system-wide or industrial objectives – such as carbon capture or hydrogen production – there is a strong case for funding them through general taxation or explicitly designed fiscal mechanisms, rather than embedding costs within retail electricity prices.

Establishing a clear and consistent funding principle would improve transparency, strengthen the legitimacy of bill reform, and reduce the risk that electricity prices become an opaque vehicle for wider policy objectives. It would also enhance investor certainty by clarifying how future support frameworks will be financed, thereby lowering the likelihood of retrospective political challenge or cost reallocation.

3. A new settlement for networks

A new settlement for networks offers the largest potential bill savings. Removing a portion of electricity network costs from the electricity bill could reduce a dual-fuel household's annual bill by £122 by 2035.

Network investment is both necessary and substantial. Without it, the return on the investments in renewables become constrained, like running a new train on old tracks. Significant reinforcement and expansion of the electricity grid is required to accommodate new generation, rising demand and greater system flexibility. However, the distribution and recovery of these costs present material political and economic risks. For households, network investment is most visibly reflected in rising standing charges and fixed costs, which can appear opaque and regressive if not clearly justified and equitably structured.

At the same time, the gas distribution network faces a structural challenge as electrification progresses. A declining customer base must continue to support largely fixed infrastructure costs. As the number of gas users falls, per-customer charges are likely to increase, raising bills for remaining consumers and potentially accelerating further disconnection. Without a managed transition, this dynamic risks creating a disorderly adjustment in which costs are concentrated on households least able to switch, with significant distributional and political consequences.

In any scenario, the gas network is becoming increasingly expensive to run, with significant upgrades planned. These network upgrades are passed on to consumer bills, contributing to the upward pressure on a household's energy bill in the coming years.

A credible bill reset therefore requires an explicit gas network transition framework. Such a framework should set out how legacy and residual costs will be recovered as the customer base contracts, how vulnerable households will be protected from disproportionate burden, and how the transition can be sequenced to avoid abrupt cost shifts. It should also consider mechanisms to moderate the growth of electricity standing charges. This includes revised amortisation periods for major grid investments; adjustments to regulatory incentive structures; and clearer principles for allocating costs that reflect the strategic and public-good characteristics of network infrastructure.

The objective is not to understate the scale of required investment. It is to ensure that cost recovery is transparent, equitable and aligned with a long-term strategy to electrify the economy while maintaining public consent. Figures 19 and 20 show how transmission and distribution network costs are anticipated to grow in the baseline, demonstrating the significant potential savings from removing future network costs.

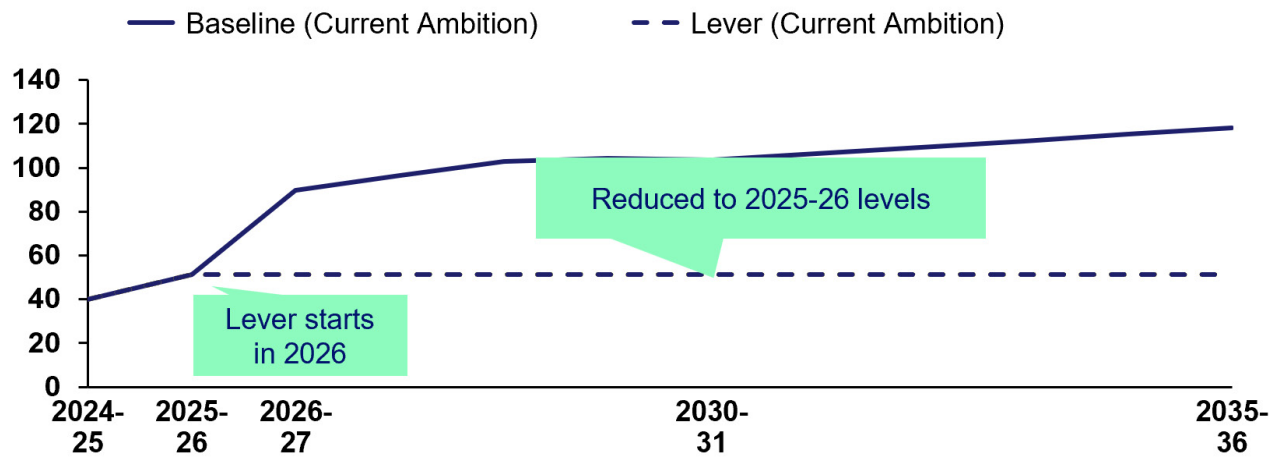


Figure 19: TNUoS costs for typical household (dual-fuel) – baseline vs lever (£ annual)
Source: Systemiq modelling for Electrify Britain

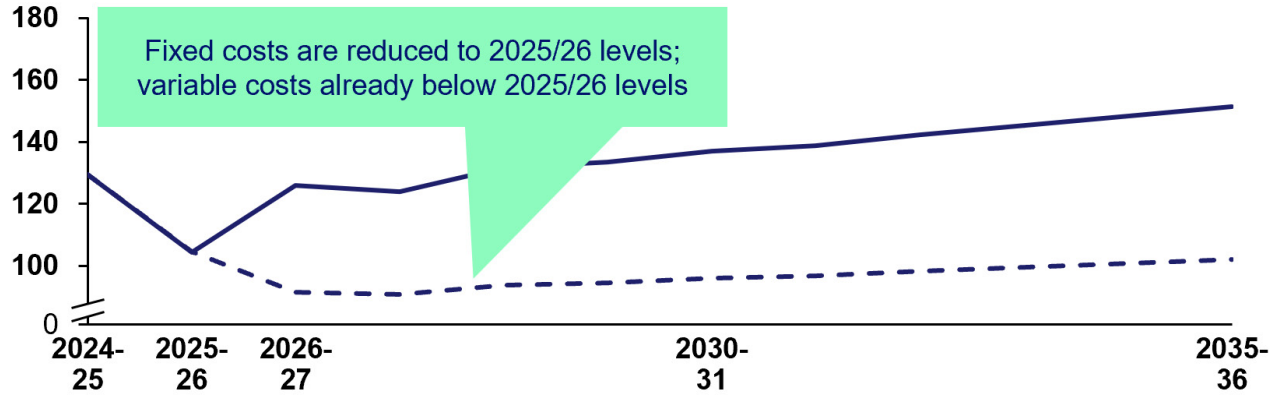


Figure 20: DUoS costs for typical household (dual-fuel) – baseline vs lever (£ annual)
Source: Systemiq modelling for Electrify Britain

BUILDING THE DEPLOYMENT ENGINE

A strategy that focuses too heavily on the last mile of supply-side decarbonisation, without an equally ambitious and radical demand-side plan risks delaying the route out of the permanent high-bill trap.

While lower electricity prices will have a positive impact on consumer uptake of electric technologies, support beyond price reform is needed if adoption is to be widespread, especially for low-income households. The UK Government has introduced a range of policies targeted for this purpose (table 3), but high upfront costs, information barriers and delivery constraints continue to limit the scale and pace at which consumers can electrify.

	Policy mechanism	Eligibility	Scale
Electric vehicles (EVs)	**Electric Car Grant**[18] Point-of-sale discount on new EVs up to £37k, grants up to £3750 (Band 1) or £1500 (Band 2) per vehicle	New electric vehicles priced at or under £37k; car dealerships apply discount at purchase	£650 million fund running 16 Jul 2025 – 31 Mar 2030
	Electric vehicle chargepoint grants[19] Home, workplace, residential install support, grant of up to £500 towards the cost of installing a chargepoint	Individuals, landlords, businesses, charities, public bodies	Home and workplace grants until 31 Mar 2027 No headline figure published for total fund, but Spending Review 2025 committed £400m over the next five years to support the rollout of charging infrastructure[20]
Homes	**Warm Homes Plan**[21] Flagship home electrification and efficiency programme – homeowners eligible for loans/ grants for heat pumps, solar, insulation, delivery through Warm Homes Agency Includes Boiler Upgrade Scheme (BUS) – grants up to £7,500 for qualifying heat pumps	All UK households eligible for various products via grants/ loans; low-income and social housing prioritised for fully funded upgrades	£15 billion public investment to 2030; upgrades to up to 5 million homes (£10bn capital funding and £5bn Warm Homes Fund, all of which is Financial Transactions) £2.7bn for BUS to 2030

[18]https://www.gov.uk/plug-in-vehicle-grants/cars
[19]https://www.gov.uk/guidance/electric-vehicle-chargepoint-grants
[20]https://www.gov.uk/government/news/new-63-million-boost-for-britains-electric-vehicle-revolution
[21]https://assets.publishing.service.gov.uk/media/696f8a3ec0f4afaa9536a0c4/warm-homes-plan-standard-print.pdf

	Policy mechanism	Eligibility	Scale
Power	Rooftop solar and storage loans/grants as part of the Warm Homes Plan	All households, with fully funded packages for low-income homes; government-backed zero/low interest loans for solar + battery	Part of £15 billion Warm Homes Plan; includes solar panel/battery support (tripling solar installations by 2030) £5bn for low-income consumers until 2027-28. Grant funding will be focused on solar PV, batteries, insulation and smart controls £2bn to facilitate low- and zero- interest consumer loans to be used flexibly to support installation of a single product or a full suite of upgrades for homes
	Smart Export Guarantee[22] – route-to-market for small generators	Small generators exporting low-carbon electricity (e.g., rooftop solar systems)	Supplier-negotiated export payments (no central budget)

Table 3: Existing policy measures to support electrification in the UK
Source: Flint analysis for Electrify Britain

While the Warm Homes Plan commits substantial funding towards electrification, it will not deliver the scale required in this Parliament. The government must introduce additional policies to support consumer demand and uptake of electric technologies.

Electricity bill reform can proceed independently of these measures and should be prioritised to ensure that energy bill savings materialise in this Parliament. But without complementary policy action to address capital costs and deployment barriers, the full economic and political benefits of reform will not be realised.

[22]https://www.gov.uk/government/publications/smart-export-guarantee-seg-earn-money-for-exporting-the-renewable-electricity-you-have-generated

RECOMMENDATIONS FOR ADDITIONAL ACTION

An effective deployment strategy should focus on three priorities: making electricity cheaper to use, reducing upfront costs for households, and coordinating delivery at scale.

1. Making electricity cheaper to use

- **Make flexibility the default and make its benefits visible.** Time-of-use tariffs, paired with automation and strong consumer protections, should become the norm rather than the exception. Flexibility is one of the system's largest untapped sources of savings – reducing peak demand, lowering wholesale costs and easing network pressure – yet it remains limited because it requires active engagement and energy literacy. Default enrolment onto smart, time-varying tariffs, with clear opt-out provisions and safeguards to prevent bill increases for vulnerable households, would allow savings to be captured automatically. Smart meters, automated EV charging and heat pump controls should ensure households benefit without having to actively manage their usage. Energy suppliers should reinforce this shift by introducing clear "electricity savings statements" on bills, showing households how much they saved by using electricity flexibly or electrifying their heating. Making the gains visible turns system reform into lived financial benefit.

- **Mandate an "electrification tariff" for switching households.** Households installing heat pumps or EV chargers could be offered time-limited preferential tariffs for guaranteeing lower unit rates for a fixed period to de-risk the transition.

2. Reducing upfront costs

- **Develop a national "Switch and Save" offer.** Electrification must be packaged as a simple, consumer-facing product rather than a policy abstraction. The primary barrier to heat pumps and other technologies is not long-term economics but upfront cost and uncertainty about savings. To accelerate rollout, the government should fund the Warm Homes Plan with additional capital and concessional lending via the National Wealth Fund while commercial banks scale up retail products. Properly designed, "Switch and Save" becomes both a cost-of-living intervention and a disciplined public finance strategy – lowering bills now while reducing long-term exposure to volatility. Repayments could be structured through on-bill financing, tied to the property rather than the individual, reducing perceived risk and supporting renters and movers.

- **Introduce EV affordability measures.** The government should ensure fairness in public charging VAT, removing a clear structural penalty on renters and urban households. In February 2026, the First-Tier Tribunal Tax Chamber held that public EV charging should be subject to the reduced 5% rate of Value Added Tax (VAT), rather than the 20% standard rate applied by HM Revenue & Customs.[23]

[23]https://bioenergytimes.com/tribunal-rules-public-ev-charging-should-attract-5-vat-not-20

3. Coordinating delivery at scale

- **Designate electrification zones for area-based delivery.** Electrification zones would establish a structured, area-based rollout of home electrification within defined geographies. The government would designate selected local authority areas to deliver coordinated upgrades at scale over a fixed period, rather than relying solely on dispersed household-by-household adoption.

  Within each zone, households would be offered a streamlined electrification pathway, combining heat pump installation, supporting insulation where required, smart controls and access to time-of-use tariffs, with optional solar and battery systems. Delivery would be coordinated locally or through GB Energy but supported by national frameworks for procurement, finance and installer accreditation. The model would include aggregated procurement of technologies and installation services to reduce costs and standardise delivery. Network planning would be aligned with concentrated demand growth within zones, ensuring infrastructure upgrades are sequenced alongside household electrification.

  Electrification zones would therefore function as a delivery mechanism: concentrating installation capacity, coordinating finance and procurement, and accelerating uptake within defined communities over the remainder of this Parliament.

- **Accelerate residential solar and storage rollout through aggregation and strategic procurement.** Where payback periods are already attractive, targeted fiscal incentives and local aggregation mechanisms can unlock rapid adoption. Pooling procurement across social housing providers, local authorities and community schemes reduces per-unit costs through volume discounts, standardised installation contracts and simplified financing. Aggregated demand lowers soft costs, strengthens installer pipelines and creates predictable order books for manufacturers, helping to stabilise supply chains and reduce volatility in pricing.

  To reinforce this, the government should explore bulk purchasing or forward procurement of solar panels and batteries, potentially coordinated through Great British Energy or the National Wealth Fund. Strategic procurement, including framework contracts or limited stockpiling where supply chains are tight, could secure lower prices, hedge against global price swings and provide guaranteed supply for priority schemes such as social housing retrofits.

- Alongside aggregation, time-limited fiscal incentives – such as enhanced tax credits or super-deductions for domestic batteries – would strengthen the business case for storage. Batteries increase self-consumption, reduce peak demand and improve grid flexibility, turning rooftop solar from a simple generation asset into a system-balancing resource. Combined, aggregation, strategic procurement and targeted fiscal support would scale residential solar and storage quickly, visibly lowering bills while strengthening grid resilience.

- **Improve data matching to target support effectively.** The government should enable responsible data-sharing between departments, regulators, suppliers and local authorities to better identify households eligible for targeted support. Income and benefits data, EPC ratings and energy consumption information are often held in silos, limiting effective intervention. With robust privacy safeguards, structured data matching would allow automatic identification of fuel-poor or vulnerable households, triggering enhanced bill protections or targeted grants where the government has decided support is required. This reduces administrative burden, increases uptake and ensures that flexibility reforms lower system costs without exposing vulnerable households to volatility.

- **Focus targeting to avoid unequal uptake.** Targeted reform of existing schemes can ensure that uptake is not concentrated among higher-income households and certain regions. The Warm Homes Plan ringfences £5bn for low-income consumers, with grant funding focused on solar PV, batteries, insulation and smart controls. The government should also ringfence a portion of the budget for the Boiler Upgrade Scheme for low-income cohorts and low-uptake regions to ensure electrification is not geographically or socio-economically skewed. Integrating finance and grants allows households without savings or access to credit to participate, strengthening both fairness and political durability.

Other countries have already deployed proven policy tools that demonstrate how governments can accelerate electrification at scale.

GERMANY	**HEAT PUMP SCALE-UP** Germany has introduced large-scale federal funding under the Federal Funding for Efficient Buildings (BEG) programme, which combines direct grants (up to 30-70% of costs depending on income) with low-interest KfW loans (Kreditanstalt für Wiederaufbau – Germany's state-owned development bank). The programme will remain in place until at least 2029. High upfront subsidies have reduced the biggest barrier to heat pump adoption: installation cost, while concessional loans spread the residual costs. Following the expansion of grant rates in 2022-2023, Germany has seen rapid increases in heat pump installations. Heat pump sales outnumbered new gas boilers for the first time in 2025.[24]
FRANCE	**MAPRIMERÉNOV' NATIONAL GRANT SCHEME[25]** MaPrimeRénov' is France's national home renovation support scheme, launched in 2020 and administered by the public agency Anah. It provides upfront grants for energy efficiency upgrades, including heat pumps, insulation and comprehensive home retrofits. Support levels are tiered by household income, with higher subsidy rates available to lower-income households. The scheme operates through a centralised national application platform. Since its introduction, MaPrimeRénov' has supported hundreds of thousands of renovation projects annually, including large numbers of heat pump installations. The programme has become the primary vehicle for residential energy renovation policy in France, combining capital grants with complementary regulatory and advisory measures to increase uptake across different income groups.
AUSTRALIA	**SOLAR SHARER OFFER[26]** Australia's Solar Sharer Offer requires electricity retailers in regulated markets to provide households with at least three hours of free daytime electricity during periods of high solar generation. The policy, introduced through the Default Market Offer (DMO) framework, will apply from July 2026 in New South Wales, South-East Queensland and South Australia, with potential expansion to other states. Households with a smart meter can access zero-cost electricity during designated midday windows, regardless of whether they own rooftop solar. By passing through surplus renewable generation directly to consumers, the policy encourages load shifting – for example EV charging, appliance use or battery storage – reduces peak demand pressure and makes renewable abundance visible in household bills. It demonstrates how regulated retail design can translate wholesale price collapses into tangible consumer savings at scale.
NETHERLANDS	**COHERENT NATIONAL STRATEGY FOR ELECTRIFICATION** The Netherlands has pursued electrification by aligning legal targets, municipal planning, infrastructure investment and regulatory triggers within a coherent national strategy that treats electrification as system reform rather than a niche policy add-on. The 2019 Climate Act set binding emissions reduction targets, operationalised through the Climate Agreement, which committed to phasing out natural gas in buildings, ending most new gas connections, and requiring municipalities to produce local heat transition plans. From 2026, when a central heating boiler is replaced in many homes, it must generally be replaced with a hybrid heat pump system unless technically unfeasible. This regulatory trigger uses natural replacement cycles to accelerate electrification without mandating immediate full conversion. The policy is supported by targeted subsidies for heat pump installation, national heat transition plans at municipal level, and large-scale investment in offshore wind to expand low-cost electricity supply. Grid reinforcement and congestion management programmes aim to ensure infrastructure can accommodate growing electric demand.

Table 4: International examples of policies to support deployment
Source: Flint analysis for Electrify Britain

[24]https://www.cleanenergywire.org/news/german-heating-transition-gathers-pace-heat-pump-sales-overtake-gas-boilers-report
[25]https://www.iea.org/policies/16421-ma-prime-renov
[26]https://www.energy.gov.au/news/solar-sharer-offer-cut-electricity-bills

CONCLUSION: PLUG IN, PAY LESS AS A LIVING STANDARDS STRATEGY

Energy bills have become the defining test of economic competence for the government. They are visible, unavoidable and widely understood to be shaped by political choices. When bills rise – or fail to fall in a way households recognise – trust erodes. The public has made clear that it does not want temporary fixes or one-off announcements. It wants a credible path to lower bills that stay lower.

On the current trajectory, that path does not exist. Even with Clean Power 2030 ambitions and headline reductions, modelling shows bills rising again toward the end of the decade. Wholesale price movements alone will not deliver structural relief. Network costs, legacy levies and misaligned price signals will continue to shape outcomes unless they are deliberately reformed. And whilst clean power comes at a typically lower wholesale cost, without bill reform and demand-side electrification, it will not automatically translate into the lived experience of lower costs.

This paper has set out a different approach. First, reset the structure of the bill: remove the electricity penalty, correct distorted price signals, establish clear principles for how policy costs are funded, and create a credible framework for network transition. Second, build a deployment engine that enables households to act – lowering upfront barriers, accelerating uptake, and making the benefits of electrification visible in everyday bills.

The argument is both political and practical. Electrification is not a distant technology project. It is a living standards strategy. By reducing energy demand and exposure to global gas markets, it offers the only durable route out of repeated volatility. When combined with structural bill reform, it can alter the trajectory of household costs – not through temporary subsidy, but through system change.

The choice facing the government is therefore clear. It can continue to manage volatility, intervening at moments of crisis while leaving the underlying structure intact. Or it can reset the system: correct the electricity penalty, align supply and demand, accelerate electrification and put bills on a lower, more stable path.

A structural reset that enables households to plug in and pay less is the only credible route to restoring trust and delivering lasting reductions in energy bills.


ELECTRIFY
BRITAIN