

British Gas pricing announcement

British Gas, Britain's biggest energy supplier, has today begun notifying its customers that it will raise domestic gas and electricity prices by an average of 6% on 16 November 2012.

As a result, annual dual fuel bills for British Gas customers with average consumption will increase by around £80⁽¹⁾.

British Gas knows that this £1.50 per week average increase will be unwelcome news for customers, but the company is facing rising wholesale prices, as well as higher costs to upgrade the national grid, and to deliver the Government's policies for a clean, energy-efficient Britain.

British Gas is also increasing the help available to customers:

- Loft and wall cavity insulation, which can each save the average household more than £100 per year, is available free of charge. More than seven million homes in Britain remain inadequately insulated.
- To help its existing energy customers guard against future rises, British Gas is launching a new tariff that not only fixes prices for a year at our new levels, but guarantees that should standard prices fall, customers' prices will fall by the same amount⁽²⁾.
- British Gas has the widest eligibility criteria for the Warm Home Discount – a £130 credit on the annual electricity bill given to customers who are elderly and most in need.

Customers who have taken advantage of the range of energy efficiency measures available have seen their gas consumption drop by as much as 40%. This is one of the reasons why British Gas customers' actual bills have, on average, only risen in line with inflation over the past three years.

British Gas Managing Director, Phil Bentley, said:

"We know that household budgets are under pressure and this £1.50 per week rise will be unwelcome. However, we simply cannot ignore the rising costs that are largely outside our control, but which make up most of the bill.

"Britain's North Sea gas supplies are running out, and British Gas has to pay the going rate for gas in a competitive global marketplace. Furthermore, the investment needed to maintain and upgrade the national grid to deliver energy to our customers' homes, and the costs of the Government's policies for a clean, energy efficient Britain are all going up.

"We need an energy efficiency culture in Britain today; rising prices don't have to mean rising bills. We are offering a huge amount of help to customers to help them cut the amount of energy they use and keep their bills under control.

"We're also spending more than any other energy company on people who need the most help."

Around 85% of costs behind the average dual fuel bill are largely beyond the control of British Gas ⁽³⁾. The company is making every effort to reduce its own operating costs, which are falling, while maintaining high standards of customer service. Unfortunately, these savings do not cover the other external cost increases the company is facing.

Despite the increase in prices announced today, assuming seasonally normal weather conditions, British Gas Residential profits in the second half of 2012 are expected to be around 15% lower than for the same period of 2011.

Phil Bentley added:

“Even after this increase, our margins after tax in 2012 will only be 5p in the pound – a similar level to last year and lower than the prior year. Unfortunately, we cannot run our business sustainably on lower margins and still make the investments in jobs and future energy sources that Britain needs, especially if the country is to grow its way out of recession.”

Why prices are rising

North Sea gas supplies are running out. British Gas now has to buy gas in a competitive international market, and pay the going market rate – which continues to rise. Prices in the wholesale market for gas this winter are around 13% higher than those paid to secure gas for last winter⁽⁴⁾.

There are other costs behind energy bills, and these are also increasing. Britain’s national grid requires a major upgrade, which is being funded through energy bills, and the costs of the Government’s policies that will ensure a clean, energy-efficient Britain, are also rising. Together, these have added around £50 to the cost of supplying the average customer’s home this year, and are expected to add nearly £60 to the cost of supplying the average customer’s home next year⁽⁵⁾.

Help for customers to keep their bills down

British Gas knows that this is a difficult time for customers, which is why it is increasing its help for customers to keep bills down as much as possible. British Gas offers a range of free help to improve the energy efficiency of customers’ homes – including free loft and wall cavity insulation to those homeowners with little or no insulation, which can each save the average household more than £100 per year⁽⁶⁾. British Gas is offering:

- Free insulation provided and installed by British Gas, which would typically cost up to £350 per measure⁽⁷⁾
- Free scaffolding for insulation (if needed) worth up to £450
- Free air vents (if needed) worth £100
- Up to £150 to help with the cost of loft clearance for eligible elderly customers and those on certain qualifying benefits ⁽⁸⁾

Customers can access all the details of the help available at: www.britishgas.co.uk/cutmybills.

Offering peace of mind and protection from future price rises

For those existing customers who want to guard against future price rises, British Gas is also offering a new long-term fixed price tariff at no extra cost – Fix and Fall November 2013 – which guarantees not only that customers’ prices won’t go up in this period, but that if British Gas’ Standard Tariff falls during the contract, their prices will be cut by the same percentage too⁽²⁾.

Extra help for customers who are poor, elderly and most in need

British Gas has set the broadest criteria of any major supplier to help as many customers as possible qualify for the Government's Warm Home Discount, a credit of £130 towards winter electricity costs, which will be paid by April 2013⁽⁹⁾.

Next steps for direct debit customers

Customers who pay by direct debit do not need to contact British Gas. British Gas will calculate any necessary changes and will not change the amount a customer pays without writing to them first.

ENDS

Notes to editors:

1. Based on standard tariff prices at average annual consumption of 16,500 kWh for gas and 3,300 kWh for single rate electricity, averaged across all regions and across the monthly direct debit, Pay as You Go Energy™ (where applicable) and quarterly cash or cheque methods of payment, rounded and including VAT. These figures are industry standard consumption figures.

However, British Gas customers' energy consumption is lower than that of the average energy customer in Britain, in part owing to the significant efforts that have been made in improving the energy efficiency of British Gas customers' homes. This means that actual average British Gas dual fuel bills are approximately £50 lower than the total bill figure reached when using industry standard consumption figures.

	Current annual average dual fuel bill	Annual average dual fuel bill post 16 November
Bills based on industry standard consumption figures	£1,238	£1,318
Bills based on British Gas customers' consumption	£1,187	£1,263

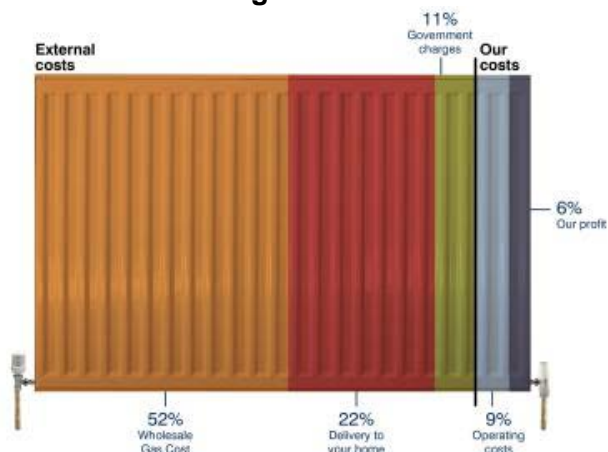
Therefore, owing in part to past energy efficiency measures, on average, British Gas customers' actual bills have only risen in line with inflation over the past three years.

A total of 8.5m customers in Britain will be affected by today's announcement; another one million British Gas customers already benefiting from fixed price contracts are unaffected.

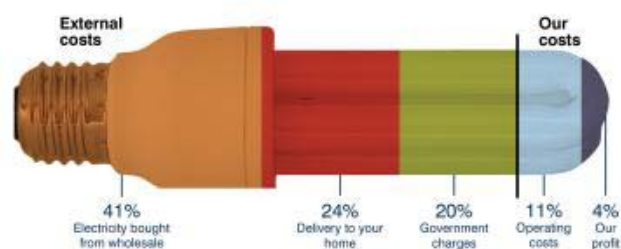
2. The Fix & Fall November 2013 gas and electricity prices are capped from and including 16 November 2012 until and including 30 November 2013, at no premium to British Gas' Standard tariff rates as at 16 November 2012 for existing domestic electricity and gas customers. With Fix & Fall November 2013, customers' prices will not increase above British Gas' Standard tariff rates as of the 16 November 2012. Should British Gas reduce its Standard prices up to and including 30 November 2013, Fix & Fall November 2013 gas and electricity prices will decrease by the same percentage applied in the customer's region. Fix & Fall November 2013 rates are subject to any VAT and regulatory changes and changes to discounts applied to the bill. If a customer cancels this agreement, either by moving to another gas or electricity supplier or by requesting to change their gas and/or electricity to another British Gas tariff(s) at any time prior to 30 November 2013, British Gas may apply a cancellation charge (inclusive of any VAT that may be applicable). The cancellation charges are £20 (based on VAT at 5%) for electricity and £20 (based on VAT at 5%)

for gas. Cancellation charges will not be applied if cancellation is due to a home move. There is limited availability on the new Fix & Fall November 2013 tariff.

3. Average Gas Bill



Average Electricity Bill



Bill breakdown figures are based on average British Gas Residential energy supply profits after tax for the period 2009-2011.

4. The 13% rise in the wholesale market is based on the average forward price for winter 2012 during the 18 months prior to October 2012 compared to the average forward price for winter 2011 during the 18 months prior to October 2011, which is consistent with Ofgem's base hedging assumptions.

5. On average, the cost of delivering energy to the home has increased by around £25 in 2012. Between 2013/14 and 2020/21 investment is required to upgrade, maintain and extend Britain's gas and electricity grids; the independent regulator, Ofgem, has limited this to £15bn, with a potential increase of a further £5bn. In 2013, these investments, together with inflationary increases, are expected to add more than £15 to the cost of supplying the average household.

The cost of the Government's policies, including: CERT, CESP, ECO, FIT, the Renewables Obligation and the Warm Home Discount have added around £25 to the cost of supplying the average household in 2012. Next year, the costs associated with these policies are expected to increase again, adding a further £40 to the cost of supplying the average household in 2013.

6. Households can cut up to £175 off their heating bills every year by installing loft insulation and up to £135 by installing cavity wall insulation. Savings and cost figures are from the Energy Saving Trust: <http://www.energysavingtrust.org.uk/In-your-home/Roofs-floors-walls-and-windows/Room-and-loft-insulation>

7. To be eligible for free loft insulation, homes must have less than 60mm of loft insulation already in place.

8. To qualify as a vulnerable customer eligible for help with loft clearance, a customer has to meet one of the three following criteria:

- Be in receipt of either the State Pension Credit or
- Be in receipt of the Child Tax Credit with an income below £16,190
- Be on one of the following income related benefits (Income Based Job Seekers Allowance, Income Support or Income Related Employment Support Allowance Credit) AND one of the following (parental responsibility for a child under five, Child Tax Credit including a disability, a Disabled Child Premium, A Disability Premium or a Pensioner Premium)

All customers who qualify for the Warm Home Discount⁽⁹⁾ also qualify for free loft clearance.

Interested households can contact British Gas on 0800 980 8177 to arrange a free survey at a convenient time. (Terms and conditions apply.)

Since 2008, British Gas has helped over one million households cut their energy bills by installing free insulation; but with more than seven million lofts inadequately insulated, and nearly eight million cavity walls unfilled, it is clear that there are many households who can still benefit from the free measures: http://www.decc.gov.uk/en/content/cms/news/stat_ins_jan12/stat_ins_jan12.aspx, and: <http://www.energysavingtrust.org.uk/In-your-home/Roofs-floors-walls-and-windows/Cavity-wall-insulation>

9. The Warm Home Discount was introduced to replace energy suppliers' existing social tariffs. British Gas has set the broadest eligibility criteria. British Gas customers may be eligible for the broader group rebate if they are:

- In receipt of Cold Weather payments
- Or have a household income below £16,190 and are elderly or in receipt of means tested eligible benefit
- Or have a household income below £16,190 and have a disability or long term illness
- Or have a household income of below £16,190 and are spending more than 10% on fuel for adequate heating (usually 21 degrees for the main living area)

Any customer who believes they may be eligible for the Warm Home Discount can visit: www.britishgas.co.uk/warmhomediscount or call British Gas free on 0800 072 8625.

All customers who qualify for the Warm Home Discount also qualify for free loft clearance⁽⁸⁾.

British Gas offers an extensive package of help for elderly, disabled and vulnerable customers, which includes:

- Extra support with household bills and essential household items available through the British Gas Energy Trust grant scheme. Consumers who are struggling with bills may be eligible for help and can contact the Trust by visiting <http://www.britishgasenergytrust.org.uk/>, or by calling 01733 421 060
- Benefits Entitlement Checks for customers who are unsure of the benefits they are entitled to
- A dedicated 'Here to Help' scheme, offering extra support with password and nominee schemes
- Free gas safety checks
- Priority attention for those who are most vulnerable and without heating due to faulty appliances
- Alternative bill formats

Changes to the British Gas Sustainable Energy tariff

Today, British Gas is also announcing that it is phasing out the subsidy that its customers receive for renewable electricity so that prices now reflect the true cost of electricity from renewable sources. As a result, electricity prices for the average customer on the Sustainable Energy tariff will rise by 11% from 16 November 2012. The change will affect 4,000 customers on this tariff.

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