

Energy bill relief scheme

Support for UK businesses announced
21 September 2022

Today the government issued clarification of support to UK businesses suffering from eye-watering increases in their energy bills. Details of the support proposed are set out below.

Key features

The Government will provide a discount on wholesale gas and electricity prices for all non-domestic customers (including all UK businesses, the voluntary sector like charities and the public sector such as schools and hospitals) whose current gas and electricity prices have been significantly inflated in light of global energy prices. This support will be equivalent to the Energy Price Guarantee put in place for households.

It will apply to fixed contracts agreed on or after 1 April 2022, as well as to deemed, variable and flexible tariffs and contracts. It will apply to energy usage from 1 October 2022 to 31 March 2023, running for an initial six-month period for all non-domestic energy users. The savings will be first seen in October bills, which are typically received in November.

As with the Energy Price Guarantee for households, customers do not need to take action or apply to the scheme to access the support. Support (in the form of a p/kWh discount) will automatically be applied to bills.

To administer support, the Government has set a Supported Wholesale Price – expected to be £211 per MWh for electricity and £75 per MWh for gas, less than half the wholesale prices anticipated this winter – which is a discounted price per unit of gas and electricity. This is equivalent to the wholesale element of the Energy Price Guarantee for households. It includes the removal of green levies paid by non-domestic customers who receive support under the scheme.

The level of price reduction for each business will vary depending on their contract type and circumstances:

- Non-domestic customers on existing fixed price contracts will be eligible for support as long as the contract was agreed on or after 1 April 2022. Provided that the wholesale element of the price the customer is paying is above the Government Supported Price, their per unit energy costs will automatically be reduced by the relevant p/kWh for the duration of the Scheme. Customers entering new fixed price contracts after 1 October will receive support on the same basis.

- Those on default, deemed or variable tariffs will receive a per-unit discount on energy costs, up to a maximum of the difference between the Supported Price and the average expected wholesale price over the period of the Scheme. The amount of this Maximum Discount is likely to be around £405/MWh for electricity and £115/MWh for gas, subject to wholesale market developments. Non-domestic customers on default or variable tariffs will therefore pay reduced bills, but these will still change over time and may still be subject to price increases. This is why the Government is working with suppliers to ensure all their customers in England, Scotland and Wales are given the opportunity to switch to a fixed contract/tariff for the duration of the scheme if they wish, underpinned by the Government's Energy Bill Relief Scheme support.
- For businesses on flexible purchase contracts, typically some of the largest energy-using businesses, the level of reduction offered will be calculated by suppliers according to the specifics of that company's contract and will also be subject to the Maximum Discount.

A parallel scheme, based on the same criteria and offering comparable support, but recognising the different market fundamentals, will be established in Northern Ireland.

If you are not connected to either the gas or electricity grid, equivalent support will also be provided for non-domestic consumers who use heating oil or alternative fuels instead of gas. Further detail on this will be announced shortly.

Steps to take – for affected businesses

Any government support will automatically be discounted on your electricity and gas bills. No action/claim needs to be made.

Unfortunately, even with this support, energy hungry business sectors will still need to accommodate significant price increases compared to those charged a year ago.

Now is the time to revisit your financial planning to see how profitability is affected based on energy costs at the new supported rates.

Please call if you need help considering your options.