

Government outlines plans to help cut energy bills for businesses

3 years ago

ENERGY BILL RELIEF SCHEME

Cutting energy bills for UK
businesses, charities and
public-sector organisations

New support for households, businesses and public sector organisations facing rising energy bills in Great Britain and Northern Ireland has been unveiled by Business Secretary Jacob Rees-Mogg – supporting growth, preventing unnecessary insolvencies and protecting jobs.

Through a new government [Energy Bill Relief Scheme](#), 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 6 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.

We will publish a review into the operation of the scheme in three months to inform decisions on future support after March 2023. The review will focus in particular on identifying the most vulnerable non-domestic customers and how the government will continue assisting them with energy costs.

Prime Minister Liz Truss said: "I understand the huge pressure businesses, charities and public sector organisations are facing with their energy bills, which is why we are taking immediate action to support them over the winter and protect jobs and livelihoods.

"As we are doing for consumers, our new scheme will keep their energy bills down from October, providing certainty and peace of mind.

"At the same time, we are boosting Britain's homegrown energy supply so we fix the root cause of the issues we are facing and ensure greater energy security for us all."

Chancellor Kwasi Kwarteng said: "We have stepped in to stop businesses collapsing, protect jobs, and limit inflation.

"And with our plans to boost home-grown energy supply, we will bring security to the sector, growth to the economy and secure a better deal for consumers."

Business Secretary Jacob Rees-Mogg said: "We have seen an unprecedented rise in energy prices following Putin's illegal war in Ukraine, which has affected consumers up and down the country and businesses of all sizes.

“The help we are already putting in place will save families money off their bills, and the government’s plans for businesses, charities and public sector organisations will give them the equivalent level of support.

“This, alongside the measures we are taking to boost the amount of domestic energy we produce to improve both energy security and supply, will increase growth, protect jobs and support families with their cost of living this winter.”

Kate Nicholls, CEO of UKHospitality said: “This intervention is unprecedented and it is extremely welcome that government has listened to hospitality businesses facing an uncertain winter. We particularly welcome its inclusiveness – from the smallest companies to the largest – all of which combine to provide a huge number of jobs, which are now much more secure.

“The government has recognised the vulnerability of hospitality as a sector, and we will continue to work with the government, to ensure that there is no cliff edge when these measures fall away.”