

# The government unveils new “Energy Bills Discount Scheme” for businesses

3 years ago



A new energy scheme for businesses, charities, and the public sector has been confirmed today (9th January), ahead of the current scheme ending in March. The new scheme will mean all eligible UK businesses and other non-domestic energy users will receive a discount on high energy bills until 31 March 2024.

This will help businesses locked into contracts signed before recent substantial falls in the wholesale price manage their costs and provide others with reassurance against the risk of prices rising again.

The government provided an unprecedented package of support for non-domestic users through this winter, worth £18 billion per the figures certified by the OBR at the Autumn Statement. This is equivalent to the cost of an increase of around three pence on people's income tax.

The government has been clear that such levels of this support, unprecedented in its nature and huge scale, were time-limited and intended as a bridge to allow businesses to adapt. The latest data shows wholesale gas prices have now fallen to levels just before Putin's invasion of Ukraine and have almost halved since the current scheme was announced.

The new scheme therefore strikes a balance between supporting businesses over the next 12 months and limiting taxpayer's exposure to volatile energy markets, with a cap set at £5.5 billion. This provides long term certainty for businesses and reflects how the scale of the challenge has changed since September last year.

The Chancellor of the Exchequer, Jeremy Hunt, said: "My top priority is tackling the rising cost of living – something that both families and businesses are struggling with. That means taking difficult decisions to

bring down inflation while giving as much support to families and business as we are able.

“Wholesale energy prices are falling and have now gone back to levels just before Putin’s invasion of Ukraine. But to provide reassurance against the risk of prices rising again we are launching the new Energy Bills Discount Scheme, giving businesses the certainty they need to plan ahead.

“Even though prices are falling, I am concerned this is not being passed on to businesses, so I’ve written to Ofgem asking for an update on whether further action is action is needed to make sure the market is working for businesses.”

From 1 April 2023 to 31 March 2024, eligible non-domestic customers who have a contract with a licensed energy supplier will see a unit discount of up to £6.97/MWh automatically applied to their gas bill and a unit discount of up to £19.61/MWh applied to their electricity bill, except for those benefitting from lower energy prices.

A substantially higher level of support will be provided to businesses in sectors identified as being the most energy and trade intensive – predominately manufacturing industries. A long standing category associated with higher energy usage; these firms are often less able to pass through cost to their customers due to international competition. Businesses in scope will receive a gas and electricity bill discount based on a supported price which will be capped by a maximum unit discount of £40.0/MWh for gas and £89.1/MWh for electricity.

## Energy Bill Discount Scheme summary

For eligible non-domestic customers who have a contract with a licensed energy supplier, the government is announcing the following support:

- From 1 April 2023 to 31 March 2024, all eligible non-domestic customers who have a contract with a licensed energy supplier will see a unit discount of up to £6.97/MWh automatically applied to their gas bill and a unit discount of up to £19.61/MWh applied to their electricity bill.
- This will be subject to a wholesale price threshold, set with reference to the support provided for domestic consumers, of £107/MWh for gas and £302/MWh for electricity. This means that businesses experiencing energy costs below this level will not receive support.
- Customers do not need to apply for their discount. As with the current scheme, suppliers will automatically apply reductions to the bills of all eligible non-domestic customers.

For eligible Energy and Trade Intensive Industries, the government is announcing:

- These businesses will receive a discount reflecting the difference between a price threshold and the relevant wholesale price.
- The price threshold for the scheme will be £99/MWh for gas and £185/MWh for electricity.
- This discount will only apply to 70% of energy volumes and will be subject to a ‘maximum discount’ of £40.0/MWh for gas and £89.1/MWh for electricity.

The Chancellor has also today written to OFGEM, asking for an update in time for the Budget on the progress of their review into the non-domestic market. He has asked for their assessment of whether further action is action is needed to secure a well-functioning market for non-domestic customers following

reports of challenges certain customers are facing, including in relation to the pricing and availability of tariffs, standing charges and renewal terms, and the ability of certain sectors to secure contracts.

Businesses in England will also benefit from support with their business rates bills worth £13.6 billion over the next five years, a UK-wide £2.4 billion fuel duty cut, a six month extension to the alcohol duty freeze and businesses with profits below £250,000 will be protected from the full corporation rate rise, with those making less than £50,000 – the vast majority of UK companies – not facing any corporation tax increase at all.