

What Does The UK Government's Energy Relief Scheme Mean For Your Organisation?

Submitted by: Team Energy

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During the autumn Mini-Budget, Chancellor of the Exchequer, Kwasi Kwarteng, announced the Energy Bill Relief Scheme.

The scheme aims to support businesses with the increasing cost of energy use and protect them against the rising price of wholesale energy. Under the scheme, organisations will receive a discount on the unit price of their gas and electricity, both of which are calculated by comparing the estimated wholesale portion of the unit price that would be paid this winter against a baseline Government supported price.

What does the Energy Bill Relief Scheme mean for my organisation?

The scheme applies to businesses, charities, and public sector organisations of all sizes who are:

- On a fixed price contract signed on or after 1 April 2022
- On a deemed or variable tariff
- On a flexible contract

The Government supported price has been set at £211 per megawatt hour (MWh) for electricity and £75 per MWh for gas. To ensure consistency between the domestic and non-domestic schemes, the supported price is based on the implied wholesale element of the Energy Price Guarantee for domestic customers.

This scheme will last for 6 months, with the discounts being applied between 1 October 2022 and 31 March 2023. The Government says it will review the scheme after 3 months and decide then if it will continue into April 2023 and beyond for what it calls “vulnerable businesses”.

How will the scheme work?

You do not need to sign up to the scheme or take any action, the reductions, which will be in pence per kilowatt hour (p/kWh), will be applied to bills automatically by your supplier. It is expected that businesses should see the savings in their October bills, which are typically received in November. Gas and electricity suppliers will apply the reductions to the bills for all the eligible businesses and the Government will then compensate suppliers for the reduction in wholesale gas and electricity prices.

How do I know if I am eligible for the scheme?

If you have an existing fixed price contract on or after 1 April 2022 you will benefit from the scheme and get support if the calculated wholesale price you are paying is above the Government support price.

However, if your fixed tariff price is less than the Government supported price, you will not be eligible for the scheme.

If you are about to sign up to a new fixed price contract, the price reduction will be automatically applied to your bill.

If you are on a default or variable tariff contract, and want to remain on it, you will get the reduction, subject to the 'maximum discount'. The maximum discount you will receive will be calculated by comparing the Government supported price with the average of the expected wholesale price for delivery across the 6 months of the scheme. The Government is encouraging businesses to safeguard their energy bills by moving to a fixed tariff, meaning they will be guaranteed the Government supported price.

If you are on a flexible purchase contract, your price reduction will depend on the difference between your monthly weighted average baseload price and the Government supported price.

If you signed a fixed contract before 1 April 2022, you will not have experienced the rise in energy costs many are facing and therefore will not be eligible for the scheme.

If you get your energy through a landlord, heat network or energy service company, the Government has stated they expect organisations to pass the benefits of these schemes to the end user.

Final thoughts

Despite the Government mentioning energy efficiency in their energy package announcement, they have not given enough guidance on how businesses can improve their energy efficiency and if any support will be provided to help, leaving organisations to seek and implement their own measures.

It is expected that further information on the Energy Relief Scheme will be made available by the Government soon. Sign up to our newsletter to keep up to date with the latest guidance.
(<https://www.teamenergy.com/newsletter/>)

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Notes to Editors

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