

The Energy Bills Discount Scheme, It's About as Clear as Mud

Submitted by: Team Energy

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TEAM Energy's Head of Customer Success, Tom Anderton, breaks down what support businesses can expect to see from the new Energy Bills Discount Scheme.

Ahead of the closure of the Energy Bill Relief Scheme (EBRS) in March, the UK Government has announced a new initiative to support businesses with the high cost of energy.

The Energy Bills Discount Scheme (EBDS) will apply a discount based on the wholesale price of energy until March 2024. The move comes in response to the falling price of wholesale energy which has dropped to levels seen before the Ukraine war.

The Government claims the scheme will most support businesses tied into expensive contracts from when the price of energy had peaked. Contracts that at the time were compounded by a number of suppliers exiting the I&C market due to its volatility and suppliers still operating being able to name their price.

The announcement sets out guidance for how businesses can expect to benefit from the discount. From April, eligible businesses will see a 'unit discount of up to £6.97/MWh on their gas bill and up to £19.61/MWh on their electric 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.' Clear as mud.

Here is my take on it

What this all really means is that if you are paying less than 30.2 p/kWh for your electricity rate, under the new scheme, you will not receive any support.

In all cases, even for businesses out of contract or with fixed or flexible contracts, the maximum discount you will receive is 1.961 p/kWh.

Therefore, any unit rate above 32.161 p/kWh will hit the maximum discount available and so will not be fully reduced down to the threshold.

What is not clear, and what we will need to wait for the guidance for, is whether for fixed contracts this is linked to the published wholesale price by the Government for the date the contract was signed or based on daily wholesale prices, as was the case with the EBRS.

So, for example:

Contracted Rate	Discount Applied	Effective Unit Rate Being Levied
22.0 p/kWh	NONE	22.0 p/kWh
29.0 p/kWh	NONE	29.0 p/kWh
31.2 p/kWh	-1.0 p/kWh	30.2 p/kWh
35.1 p/kWh	-1.961 p/kWh	33.139 p/kWh
41.8 p/kWh	-1.961 p/kWh	39.839 p/kWh

The discount will apply to the same businesses eligible for the Energy Bill Relief Scheme (<https://www.teamenergy.com/discover/news/what-does-the-uk-governments-energy-relief-scheme-mean-for-your-organisation>) and be automatically added by suppliers to bills.

Additional support will be made available under the Energy and Trade Intensive Industries (ETII) part of the scheme to organisations with high energy use such as manufacturing and mining; however, these industries will need to register for the discount.

For eligible ETII businesses, the price threshold of the scheme will be 18.5 p/kWh for electricity and 9.9 p/kWh for gas with a maximum discount of 8.91 p/kWh for electricity and 4.0 p/kWh for gas. The discount is due to only apply to 70% of the consumed energy.

Isn't it just the Energy Bill Relief Scheme by another name?

Where this scheme differs from the EBRS is the discount was determined by comparing the estimated wholesale portion of the unit price that would be paid in the period against a baseline 'Government supported price'. For electricity, the supported price was set to 21.1 p/kWh and for gas 7.5 p/kWh.

The supported price is going up to 30.2 p/kWh for electricity and 10.7 p/kWh for gas, which is in line with the domestic relief scheme caps.

Under the EBRS, there was no maximum discount applied, unless you were on a flexible or deemed type contract (this was 34.5 p/kWh for electricity). This has now been extended so that all contracts are subject to a maximum discount of 1.961 p/kWh.

Will prices continue to rise?

Of course, wholesale energy prices were rising long before the Ukraine war. Issues with supply, demand, infrastructure and lockdown, the weather (unusually cold winters, not enough wind), industry change, have all impacted global supplies of both gas and electricity, sending prices soaring.

For businesses, as mentioned before, this instability caused a number of suppliers to drop out of the I&C market, which meant those left could pick and choose their customers, and their price.

While the wholesale price of energy has started to decline, there are still upcoming industry changes that will affect the value of your bills. The anticipated Transmission charges, the result of Ofgem's Targeted Charging Review, are yet to come into effect, Market Wide Half-Hourly and further regulation could see supplier levies passed on to customers, long after the Government support has stopped.

ENDS

Notes to Editors

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