

REA Members Briefing – Energy Bill Relief Scheme

The BEIS Secretary of State, Jacob Rees-Mogg, today announced an [Energy Bill Relief Scheme](#) designed to help businesses in light of the recent rise in energy costs. It will run from 1st October 2022 – 31st March 2023.

The scheme is designed as a cap on the price of wholesale energy subsequently sold to the non-domestic consumer. It is applicable for all non-domestic consumers, including all UK businesses, the voluntary sector, and the public sector.

The Government has set a Supported Wholesale Price (in essence, a cap), expected to be £211 per MWh for electricity and £75 per MWh for gas. 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 will automatically be applied to bills and the caps impact will depend on a business' existing contracting arrangements.

In recognition of different market fundamentals, a parallel scheme will be established in Northern Ireland based on the same criteria and offering comparable support.

Fixed, Variable, & Flexible Purchase Tariffs

The scheme applies to existing fixed price contracts signed on or after 1st April and will come into effect from 1st October. It is not clear how this will interact with existing hedged supplier positions.

Those on variable tariffs will receive a per-unit discount, though there will be a cap on the amount Government will pay, declared as 'likely' to be £405/MWh and £115/MWh for electricity and gas respectively. These businesses will therefore still be exposed to some price risk as the market price fluctuates.

For businesses on flexible purchase contracts, 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 p/kWh discount.

If a business is 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. We are expecting further details from Government on this, and the REA have already contacted BEIS to see if this is intended to include bioenergy feedstocks, such as biomass.

For domestic consumers, there are a range of measures to support those not on the gas grid (eg £100 for those on oil fired heating) and with all inclusive rental agreements.

Timetable

The changes will be brought in via emergency legislation 'in October' dependant on parliamentary timetables.

The government will publish a review of the scheme in three months to determine support

after March 2023, this will focus on how support can be weighted towards more vulnerable non-domestic consumers.

Initial REA View

This will provide some relief to non-domestic energy bill payers, reducing the average costs of electricity and gas by around 40-50% and around 25% respectively. However, action is urgently needed in the medium-term to avoid a similar situation next winter. The impact on suppliers needs to be carefully assessed and we are in continued discussions with Government.

We have all the solutions available to us. The renewables industry are already in discussions with Government to determine how the lower costs of low carbon generation can be better felt within the wholesale market and benefit both domestic and non-domestic energy users.

We must also encourage the mass roll out of low carbon heat technologies. This includes heat pumps, biomass boilers, biofuels, hydrogen, thermal storage, and others, recognising the need to ensure the right technology for the right commercial and industrial situation.

There remains no dedicated mechanism to promote widespread energy efficiency and a switch from fossil fuel heating amongst businesses. The chosen mechanism of capping prices does not achieve this, dampening signals to reward those who reduce their energy demands and switch to decarbonised energy solutions.

The REA will continue to work closely with BEIS in order to put these arguments forward to government. Please contact policy@r-e-a.net for further information on the announcement or our work on the energy crisis.

Best wishes,

REA