

THE JUNCTION

In the heart of Battersea...

Sent to BID Businesses on 23 September 2022

11th October - Free BID One-To-One Advice Clinic on Current Energy Crisis and details on the Government's Energy Bill Relief Scheme

Please find details below on the recent announcement on the Government's Energy Bill Relief Scheme.

The link below also details a **Free BID One-to-One Support and Advice Clinic for all our Junction BID business** - which we will be holding on:

Tuesday, 11th October in conjunction with the Energy Saving Experts – Place Support Partnership (PSP).

At:

The PCS Union

160 Falcon Road

SW11 2LN (opposite Travelodge)

Tuesday, 11th October 2022

From: 10am-4pm

- **Place Support Partnership (PSP) will help you personally navigate the current energy crisis, and achieve best value on services such as electricity, gas, water, telecoms, merchant services and more.**
- **Please book your one-to-one session on the Eventbrite link in the detailed leaflet (attached to this email). Please scan the QR code to sign-up.**

PDF Link:

<https://ca1-clapham-junction.dccdn.net/assets/images/miscellaneous/270922-Business-Health-Clinic-for-BID-Members.pdf?v=1664271871>

Government announcement:

Energy Bill Relief Scheme: help for businesses and other non-domestic customers

Find out about the Energy Bill Relief Scheme (EBRS) for non-domestic customers and how you can get support this winter.

[Department for Business, Energy & Industrial Strategy](#)

Applies to England, Scotland and Wales

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This scheme will provide energy bill relief for non-domestic customers in Great Britain. Discounts will be applied to energy usage initially between 1 October 2022 and 31 March 2023.

A similar scheme will be established in Northern Ireland, providing a comparable level of support.

The discount is automatic. If you get a message asking for your bank details, this could be a scam. You can [report messages you think are suspicious](#).

Eligibility

The scheme will be available to everyone on a non-domestic contract including:

- businesses
- voluntary sector organisations, such as charities
- public sector organisations such as schools, hospitals and care homes

who are:

- on existing fixed price contracts that were agreed on or after 1 April 2022
- signing new fixed price contracts
- on deemed / out of contract or variable tariffs
- on flexible purchase or similar contracts

Exclusions

The scheme is intended to be of broad application but there may be very limited exclusions, for example businesses that use gas or electricity for the purpose of generating power they are selling back into the grid, such as power stations, pumped hydro or grid-level battery storage.

Non-domestic suppliers and consumers must not profit from the scheme other than for its intended purpose of providing relief on necessary energy bills. Any such activity will result in support being refundable to government and may be liable to further penalties.

The amount your bills will be reduced

The government will provide a discount on your gas and electricity unit prices. To calculate your discount, the estimated wholesale portion of the unit price you would be paying this winter will be compared to a baseline 'government supported price' which is lower than currently expected wholesale prices this winter.

For all non-domestic energy users in Great Britain this government supported price has been set at:

- £211 per megawatt hour (MWh) for electricity
- £75 per MWh for gas

A comparable rate will be set shortly for Northern Ireland.

For comparison, wholesale costs in England, Scotland and Wales for this winter are currently expected to be around:

- £600 per MWh for electricity
- £180 per MWh for gas

The designs of the GB scheme and the separate Northern Ireland scheme will be consistent, and will offer an equivalent level of support, but the impact on users will vary in Northern Ireland in particular since there are only limited numbers of fixed price contracts in the market.

To ensure consistency between the domestic and non-domestic schemes, the government supported price is based on the implied wholesale element of the Energy Price Guarantee for domestic customers. It will not be the same as the final per unit price paid by non-domestic customers, which will also reflect other costs such as network charges and operating costs, plus the impact of competition between suppliers.

How it works

Applying the reduction

Suppliers will apply reductions to the bills of all eligible non-domestic customers.

The government will compensate suppliers for the reduction in wholesale gas and electricity unit prices that they are passing onto non-domestic customers.

The discount applied will be in **pence per kilowatt hour (p/kWh)**. The p/kWh government support for comparable contracts will be the same across suppliers, but the absolute level of individual bills will continue to vary across different contracts and tariffs.

For **fixed contracts** the discount will reflect the difference between the government supported price and the relevant wholesale price for the day the contract was agreed. The government will publish the wholesale prices we will use for calculating this for each day from 1 April 2022.

For **variable, deemed and all other contracts**, the discount will reflect the difference between the government supported price and relevant wholesale price, but be subject to a 'maximum discount' that will be determined at the beginning of the scheme.

Businesses on variable / flexible contracts will need to choose if they move to fixed contracts. This is likely to suit you if you don't want to be exposed to price variation. You will be contacted by your supplier.

The p/kWh government support for comparable contracts will be the same across suppliers, but the absolute level of individual bills will of course continue to vary.

Third party intermediaries (TPIs) / energy brokers have no influence over the per unit cost reductions that will be applied to energy costs under the scheme. You do not have to take out a new contract or change your contract for appropriate reductions to automatically be applied to your bills.

Examples

The level of support for each organisation will vary depending on type and date of contract.

These are illustrative examples based on recent averages of forward wholesale prices and may differ from those experienced in practice.

Example 1: A pub

A pub uses 4 MWh of electricity and 16 MWh of gas a month. They signed a fixed contract in August 2022, giving them a current monthly energy bill of about £7,000. At the time they signed their contract, wholesale prices for the next 6 months were expected to be higher than the government supported price of £211/MWh for electricity, and £75/MWh for gas, meaning they can receive support under this scheme.

The difference between expected wholesale prices when they signed their contract and the government supported price is worth £380/MWh for electricity and £100/MWh for gas, meaning they receive a discount of £3,100 per month, reducing their bill by over 40%.

Example 2: A school

A school uses 10 MWh of electricity and 22 MWh of gas a month. They signed a fixed contract in July 2022, giving them a current monthly energy bill of about £10,000. At the time they signed their contract, wholesale prices for the next 6 months were expected to be higher than the government supported price of £211/MWh for electricity, and £75/MWh for gas, meaning they can receive support under this scheme.

The difference between expected wholesale prices when they signed their contract and the government supported price is worth £240/MWh for electricity and £70/MWh for gas, meaning they receive a discount of £4,000 per month, reducing their original bill by 40%.

Example 3: A medium sized manufacturing business

A medium sized manufacturing business uses 200 MWh of electricity and 1,600 MWh of gas each month. They entered into a fixed contract in August 2022, giving them a current monthly energy bill of around £560,000. At the time they signed their contract, wholesale prices for the next 6 months were

expected to be higher than the government supported price of £211/MWh for electricity, and £75/MWh for gas, meaning they can receive support under this scheme.

The difference between expected wholesale prices when they signed their contract and the government supported price is worth £360/MWh for electricity and £90/MWh for gas, meaning they receive a discount of £215,000 per month, reducing their original bill by more than 35%.

Example 4: A medium sized restaurant

A medium sized restaurant uses around 3.5 MWh of electricity and 4 MWh of gas each month. They are on a variable contract, giving them a current monthly energy bill of around £3,900 per month. As they are on a variable contract they can receive support up to the Maximum Discount (currently estimated to be £405/MWh for electricity and £115/MWh for gas). Applying the Maximum Discount rates means that their monthly energy bill reduces by around half.

Example 5: A hospital

A hospital uses around 2,000 MWh of electricity and 7,900 MWh of gas each month. They are on a fixed contract that they signed in June 2022, giving them a current monthly energy bill of about £1.7 million. At the time they signed their contract, wholesale prices for the next 6 months were expected to be higher than the government supported price of £211/MWh for electricity, and £75/MWh for gas, meaning they can receive support under this scheme.

The difference between expected wholesale prices when they signed their contract and the government supported price is worth £76/MWh for electricity and £27/MWh for gas, meaning they receive a discount of £370,000 per month, reducing their original bill by over 20%.

Example 6: A small retail shop

A small retail shop uses around 1 MWh of electricity and 2 MWh of gas each month. They are on a variable contract, giving them a current monthly energy bill of around £1,400 per month. As they are on a variable contract they can receive support up to the Maximum Discount (currently estimated to be £405/MWh for electricity and £115/MWh for gas). Applying the Maximum Discount rates means that their monthly energy bill reduces by around 45%, leaving them with a bill of around £800 per month.

How you will get the reduction

The support will be automatically applied to all eligible bills. You do not need to take action or apply to the scheme.

The savings for energy used in October will be seen in your October bills, which would usually be received in November.

If you have an existing fixed price contract

If you agreed your fixed price contract / tariff on or after 1 April 2022 you will get support if the calculated wholesale element of the price you are paying is above the government supported price.

If your fixed tariff is based on wholesale prices below the government supported price, then you will not be eligible for support.

Your per unit energy costs will automatically be reduced by the relevant pence per Kilowatt Hour (p/kWh) for the duration of the scheme.

If you're about to sign a new fixed price contract

The relevant price reduction will be automatically applied to your bill by your supplier.

If you are on a default or variable tariff contract

If you are on a variable tariff, and want to remain on it, you will get the reduction, subject to the 'maximum discount'.

The maximum discount will be calculated by comparing the government supported price with the average of expected wholesale prices for delivery across the 6 months of the scheme. We will confirm the maximum discount on 30 September but it is likely to be around £405/MWh for electricity and £115/MWh for gas, subject to wholesale market developments.

If wholesale prices rise above the combined government supported price and maximum discount then your prices will increase.

If you're on a flexible purchase contract

Some large non-domestic energy users buy energy using flexible contracts which enable them to decide when to hedge for portions of their demand throughout the term of the contract.

If you're on a flexible purchase contract, your price reduction will depend on the difference between your monthly weighted average baseload price (determined by your individual hedging approach) and the government supported price. In this case the maximum support available per unit of energy will also be limited by the maximum discount.

If you signed your fixed contract before 1 April 2022

If you signed your fixed rate contract before 1 April 2022, you would not have been exposed to the recent rises in wholesale prices, so you will not be eligible for support under the scheme.

If you are out of contract

If you are out of contract and are waiting to see the details of government support, you should set up your contract as normal. Your supplier will automatically apply appropriate reductions to your energy price for the duration of the scheme.

If you get your energy through a landlord / heat network / energy service company

We expect businesses and other organisation to pass on the benefits under this scheme through to the end user in a reasonable and proportionate way. This will ensure support, for instance, to customers of heat networks and park home residents.

Reviewing the scheme

We will publish a review into the operation of the scheme in 3 months' time, 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. These are likely to be those who are least able to adjust, for example by reducing energy usage or increasing energy efficiency.

The review will consider:

- how effective the scheme has been in giving support to vulnerable non-domestic customers
- which groups of non-domestic customers (by sector, size or geography) remain particularly vulnerable to energy price rises, taking into account the latest price position and forward curves, alongside other cost pressures
- how to continue supporting these customers – either by extending the existing scheme for some users, or replacing with a different scheme

Continuing support to those deemed eligible would begin at the end of the initial 6-month support scheme, without a gap.

It is important that users who are less vulnerable to energy price increases (particularly larger businesses that are not energy-intensive) use the 6 months support provided by the scheme to identify measures they can take to protect themselves against high energy prices.

Legislation

Urgent legislation to enable the implementation of the scheme will be introduced in Parliament in October. This will provide government with the powers to establish the scheme, ensure benefits are passed on to consumers and provide for an effective compliance and enforcement regime.

Support from suppliers

We expect suppliers to contact non-domestic customers over the coming weeks to advise them of the implications of the scheme.

You do not need to do anything to obtain a discount on the basis of the scheme, but you may wish to contact your supplier to ensure you are getting most benefit from it. There will be benefit, in particular, for some smaller businesses who have recently been moved off fixed tariffs to switch back to one, with the price reduced on the basis of the government scheme.

We are working with suppliers to ensure that all non-domestic consumers are offered tariffs on competitive terms, for example through giving their existing customers the opportunity to move to a fixed contract.

We will publish technical guidance for energy suppliers on the operation of the scheme shortly.

Green levies

The supported prices for gas and electricity under the scheme have been set so that the wholesale prices faced by non-domestic consumers are aligned to wholesale prices in the domestic scheme,

with some minor adjustments for levies that do not apply to non-domestic bills. Reductions in prices in both schemes encompass reductions in green levies. Some non-domestic customers bills may still show green levies being charged, but in all cases this charge will be covered by the EBRs discount for eligible energy use.

Other support for business/non-domestic customers

There is a range of ongoing schemes in place to support businesses with their energy costs. These include:

- the [Industrial Energy Transformation Fund \(IETF\)](#), which consists of £315 million live grant funding that supports manufacturers with high energy use to cut their energy bills and carbon emissions by investing in energy efficiency and low-carbon technologies
- a number of advice and support schemes that businesses may be eligible for, to help to improve the energy performance of buildings and processes and lower their energy bills. [Search for local schemes that provide advice and grants](#)
- the [UK Business Climate Hub](#) which provides practical steps on cutting emissions and saving money. If businesses are based in England, they may also be able to access support via local Growth Hubs, who they can get in touch with to find out more
- at Budget 2021 the government committed to freezing the business rates multiplier in 2022 to 2023, which is a tax cut worth £4.6 billion to businesses over the next 5 years

Please find the Governmental link here:

<https://www.gov.uk/guidance/energy-bill-relief-scheme-help-for-businesses-and-other-non-domestic-customers>

I do hope you will join us on 11th October for our free advice Clinic.

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If you are a Clapham Junction BID business and you have missed any of these communications, or for more information – please contact Roz Lloyd-Williams, The Executive BID Director, The Junction BID Tel: 07522 812299 email: roz.lloyd-williams@thejunctionbid.co.uk