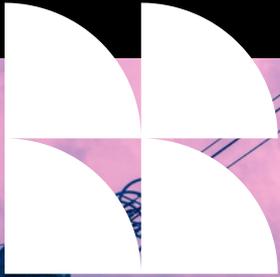




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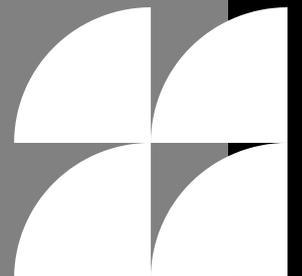
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# Energy Report



Prepared by:  
**PLACE SUPPORT PARTNERSHIP**



# Government Announcement

## Energy Bill Relief Scheme for Business Customers

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The government is to limit the wholesale costs for gas and electricity used for business energy customers.

The Energy Bill Relief Scheme will cap the wholesale costs that energy suppliers can incorporate into the rates for businesses but will not determine the final rate paid by business customers.

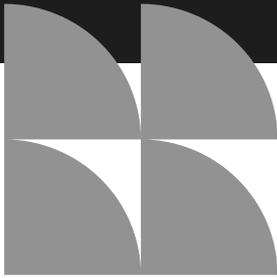


# 01

Providing government support for households is relatively straightforward because there is an existing retail price cap. The details of the business scheme were delayed because of challenges in devising it and the complexity of corporate tariffs. However, this move also allows for a degree of competition to remain in the market.

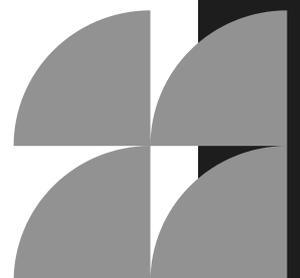


# 02



## What does this mean for business energy rates?

- Energy suppliers will be allowed to incorporate a capped wholesale price of 21.1p/kWh for electricity and 7.5p/kWh for gas.
- Only applies to all energy contracts signed with suppliers since 1st April
- It will apply to energy usage from 1 October 2022 to 31 March 2023
- After the six months ministers will focus support on “vulnerable” but is yet to define which industries



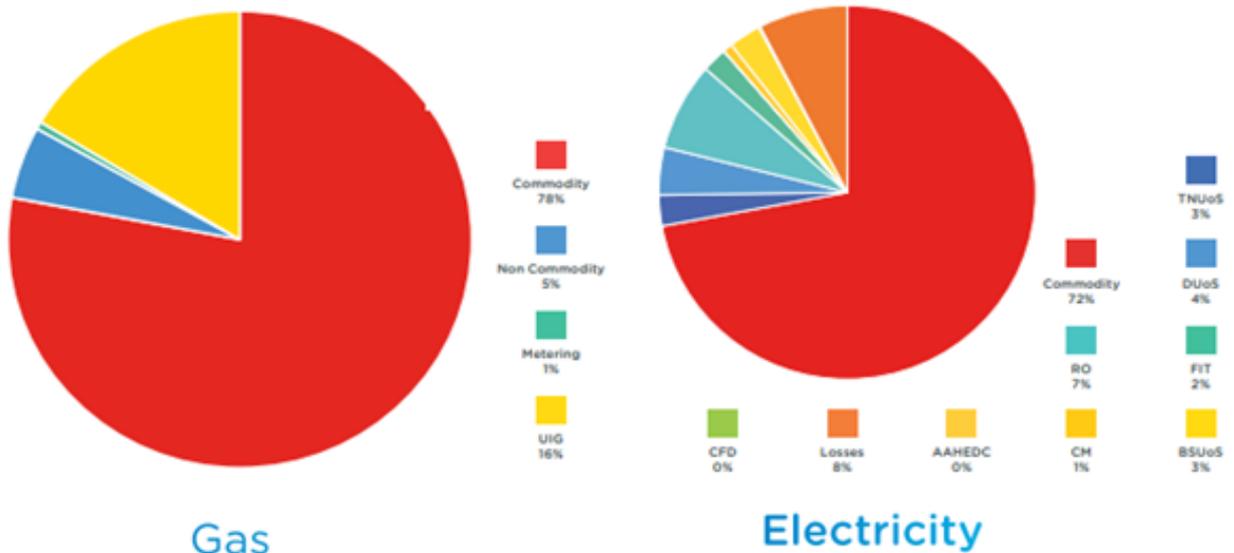
# 03



For comparison, wholesale costs for this winter are currently expected at around 60p/kWh for electricity and 18p/kWh for gas.

Wholesale charges are only part of what make up the final costs on an energy bill. The capped wholesale prices will not be the final rates that businesses pay, so your kWh rate will not be 21.1p and 7.5p respectively.

The charts below are dependent on what price is agreed in the contract, but wholesale (commodity) costs are around 78% of your cost on gas and 72% on electric.





# 04

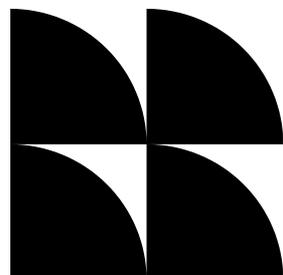
## What if you are out of contract now?

If you are out of contract, then the government has advised to set up a contract now and you will automatically have the appropriate reductions to your energy price for the duration of the scheme applied.

With the scheme, those on out of contract rates will only receive a per-unit discount on energy costs, up to a maximum of the difference between the Supported Price and the average expected wholesale price over the period of the Scheme. The amount of this Maximum Discount is likely to be around 40.5p/kWh for electricity and 11.5p/kWh for gas, subject to wholesale market developments.

## What if you're about to sign a new fixed price contract?

You should still sign a fixed-term contract now as the relevant price reduction will be automatically applied to your bill by your supplier. If you are sitting on the out of contract rates you will still get support from the scheme but will likely be paying more than if you are in a contract.





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## **What if you are up for renewal after the scheme?**

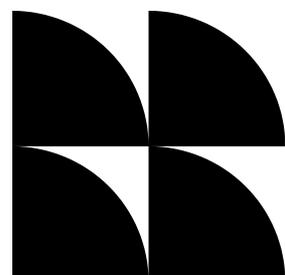
Energy rates for businesses are not forecast to seeing much relief in price until summer 2025. If you are up for renewal after the scheme ends, then you should get in touch, and we can assess the market and recommend the best time for forward-purchase your next energy contract.

## **What if you signed before 1st April?**

If you signed before the 1st of April, you will have missed the cut off and not be eligible for the support scheme. This is because you would not have been exposed to the recent rises in wholesale prices, so you will not be eligible for support under the scheme.

## **Will I have to apply for the discount?**

No, the discount will automatically be applied by the suppliers from November onwards. You will not need to do anything or contact your supplier to have this applied if you are eligible.



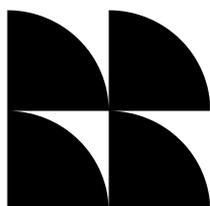


## Retail Example:

This is an illustrative example based on recent averages of forward wholesale prices and may differ from those experienced in practice.

Banner Restaurant in Crouch End were due to renew their Gas contract in December 2022. Highlighting the need to act early we advised Banners to review their contracts in July and raised a quotation based on the information shared during our consultation with the business in May. Banners uses 282,218 kwh of gas which under their current agreement gave them a monthly total of £715. At the time of quoting in mid July the proposed cost to take on a new contract would have seen the monthly cost rise to £2,375 however Banners were slow to respond and provide information in order to submit their contract and eventually signed a contract in mid August with a monthly cost of £4,257.

As Banners have agreed terms with a supplier in August and that contract is due to start on the 1st January 2023 the business is eligible for the proposed energy bill relief scheme between January and March 2023. The difference between the price agreed and the cap that has been set by the relief scheme on the wholesale price of gas will see a bill reduction for Banners restaurant of approximately £1,746 per month.





## Retail Example:

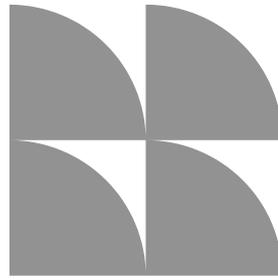
The Goodness Brewing Company are an industrial business based in Wood Green. Having not agreed a new contract with their current supplier, they found themselves exposed to out of contract rates which had seen the monthly cost of electricity rise from £2,250 per month to £8,250. With our guidance and advice we were able to negotiate a quotation with a broad range of suppliers which identified a monthly saving of £2,500 amongst volatile and rising wholesale prices. During our consultation with the business in August we highlighted the benefits of taking a contract at the time and the need to act early to avoid further rises due to the lack of a fixed term tariff being in place.

Should the business have remained on the out of contract tariff they would see benefit from the proposed bill relief scheme with a reduction of their monthly bill of approximately £3400 per month. Given this business would be on a variable tariff the discount would apply for the full 6 month period that the current bill covers however the business would remain exposed to further rate increases that the supplier may levy as they are not in a fixed term contract. With further volatility expected across the energy sector due to constrained winter supply and increased demand wholesale prices will rise further and this may negate any savings the business may have made through the proposed relief scheme. Every business needs to secure reasonable terms with their suppliers to ensure they can realise maximum benefit from the relief scheme.





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# 05

If you would like more information, then please do not hesitate to reach out. If you would like to read the full policy paper, visit the government website here:

<https://www.gov.uk/government/news/government-outlines-plans-to-help-cut-energy-bills-for-businesses>

## Where to find us

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