

## UK Energy Bill Relief Scheme

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New U.K. energy bill relief scheme protects Great Britain businesses from rising energy costs:

- Introduces six months of energy bill price support for non-domestic electricity and gas customers.
- Applies automatically to fixed contracts agreed on or after 1 April 2022, as well as to deemed, variable and flexible tariffs and contracts.
- Provides a discount on the wholesale element of non-domestic tariffs.
- Sets a threshold for price support at £211 per MWh for electricity and £75 per MWh for gas.
- Creates a maximum discount that will apply in some circumstances, which is expected to be set at £405/MWh for electricity and £115/MWh for gas.
- Level of price reduction for each business will vary depending on their contract type and circumstances.

A new U.K. government scheme will cut energy prices for non-domestic energy customers such as businesses, charities and public sector organisations, protecting them from rising energy costs over the coming winter. The support provided will be equivalent to the Energy Price Guarantee put in place by the U.K. government for domestic households.

### Wholesale price discount

The Energy Bill Relief Scheme (EBRS) announced by the U.K. government on 21 September 2022, will provide energy bill relief by way of a discount on wholesale gas and electricity prices for non-domestic customers (including businesses) in Great Britain. A parallel scheme will be established in Northern Ireland. Equivalent support (details still to be confirmed) will also be provided for non-domestic consumers who use heating oil or alternative fuels instead of gas.

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## Automatic discount

The discount is automatic. There is no need to apply. Licensed energy suppliers will apply reductions to the bills of all eligible non-domestic customers (and the U.K. government will in turn compensate those suppliers).

## Timeframe

Discounts will be applied to energy usage initially for a six months' period between 1 October 2022, and 31 March 2023.

The U.K. government is planning to review the application of the scheme beyond 31 March 2023. This review is expected to limit the application of the scheme (or to introduce a replacement scheme) that will provide continuing energy costs support for the most vulnerable non-domestic customers only.

## Eligibility criteria

The discount is available to businesses on a non-domestic gas or electricity contract 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.

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

## Calculating the discount

The U.K. government will provide a discount on gas and electricity unit prices. To calculate the discount, the estimated wholesale portion of the unit price payable this winter will be compared to a baseline 'government supported price' (the Supported Wholesale 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 (i) £211 per megawatt hour (MWh) for electricity and (ii) £75 per MWh for gas.

For comparison, wholesale costs in England, Scotland and Wales for this winter are currently expected to be around (i) £600 per MWh for electricity and (ii) £180 per MWh for gas.

**Fixed price contracts:** 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 U.K. government will publish the wholesale prices it will use for calculating this for each day from 1 April 2022. If your fixed tariff is based on wholesale prices below the U.K. government supported price, then you will not be eligible for support.

**Variable and other non-fixed price contracts:** For variable, deemed and all other contracts, the discount will reflect the difference between the government supported

price and relevant wholesale price. **Note that the discount will be subject to a ‘maximum discount’ that will be determined by the government at the beginning of the scheme**—if wholesale prices rise above the combined government supported price and maximum discount then your prices will increase. The U.K. government is working with suppliers to ensure all non-domestic customers in Great Britain are given the opportunity to switch to a fixed contract/tariff for the duration of the scheme if they wish, underpinned by the U.K. government’s EBRS support.

**Flexible purchase contracts:** 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.**

### 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 six months of the scheme. **The U.K. government intends to confirm the maximum discount on 30 September 2022, but it is likely to be around £405 per MWh for electricity and £115 per MWh for gas, subject to wholesale market developments.**

### 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 scheme discount for eligible energy use.

### Landlord, heat network or energy service companies

The U.K. government expects businesses and other organisations to pass on the benefits under the 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. See below regarding the risk of clawback and penalties if a business profits from the scheme other than for its intended purpose.

### Exclusions, clawback and penalties

There may be very limited exclusions from the scheme, 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 (i.e., businesses) 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 the U.K. government and such suppliers or consumers may be liable to further penalties.

## Delivering the scheme

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

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