

Government introduces new Energy Prices Bill to ensure vital support gets to British consumers this winter

- UK government introduces landmark Energy Prices Bill, putting into law support to help households, businesses and others with energy costs this winter, while reducing inflation and supporting economic growth
- the Bill also includes powers to stop volatile and high gas prices dictating the cost of electricity produced by much cheaper renewables
- new 'Cost-Plus-Revenue Limit' will ensure consumers are not paying significantly more for electricity generated from renewables and nuclear, with the potential to save billions of pounds for British billpayers

Consumers will pay a fairer price for their electricity as the UK government introduces new emergency powers that will ensure consumers across the country receive help with their energy bills this winter.

Without the launch of the schemes, businesses and consumers had been left facing increasing financial turmoil, with energy bills estimated to increase to as high as £6,500 before the government stepped in. Recently announced support will see a typical household pay £2,500 a year for energy, while businesses will be paying less than half of predicted wholesale costs this winter.

The Energy Prices Bill, introduced in Parliament today (12 October 2022), provides the legislative footing needed to ensure that people and businesses across the UK receive support with their energy bills this winter through the Energy Price Guarantee for domestic consumers and Energy Bill Relief Scheme for businesses and non-domestic properties. This includes essential measures that enable the UK government to deliver comparable schemes in Northern Ireland and legislation that will require landlords and heat network operators to pass benefits through to tenants.

Low-carbon electricity generation from renewables and nuclear will be key to securing more low-cost homegrown energy and we are supporting continued investment in the sector, including through The Growth Plan.

Currently in the UK market, wholesale electricity prices are set by the most expensive form of generation – presently gas-fired generation, which are significantly higher in light of Russia's appalling invasion of Ukraine and Putin's subsequent weaponisation of gas supplies. Low-carbon electricity generators are therefore benefiting from abnormally high prices, while consumers are having to pay significantly more for energy generated from renewables and nuclear, even though they often cost less to produce.

To further protect consumers, new powers to help sever the link between high global gas prices and the cost of low-carbon electricity have also been

introduced through a new temporary Cost-Plus Revenue Limit in England and Wales. This will reduce the impact of unprecedented wholesale prices on consumers and the taxpayer by introducing a revenue limit, curbing the amount generators can make.

The precise mechanics of the temporary Cost-Plus Revenue Limit will be subject to a consultation to be launched shortly. The government has been working closely with industry on the detail of the proposal, ahead of it coming into force from the start of 2023. It will ensure consumers pay a fair price for low carbon energy and has the potential to save billions of pounds for British billpayers, while allowing generators to cover their costs, plus receive an appropriate revenue.

Business and Energy Secretary, Jacob Rees-Mogg, said:

Businesses and consumers across the UK should pay a fair price for energy. With prices spiralling as a result of Putin's abhorrent invasion of Ukraine, the government is taking swift and decisive action.

We have been working with low-carbon generators to find a solution that will ensure consumers are not paying significantly more for electricity generated from renewables and nuclear.

That is why we have stepped in today with exceptional powers that will not only ensure vital support reaches households and businesses this winter but will transform the United Kingdom into a nation that offers secure, affordable and fairly-priced home-grown energy for all.

Chancellor of the Exchequer, Kwasi Kwarteng, said:

Our actions will mean that energy bills for the typical household will be half what they would have been this winter.

We are protecting people, holding down inflation and preventing Putin's energy price hike from causing long term harm to our economy by supporting businesses.

The Energy Prices Bill forms yet another decisive step taken by the UK government to reform the energy market, giving Britain back control of its own home-grown energy and breaking ties to the ever-increasing volatility and uncertainty of the global gas market.

Energy Prices Bill

The Bill will introduce powers to enable the following:

Energy Bill Relief Scheme

The Energy Bill Relief Scheme will enable the government to provide financial assistance on energy bills for all eligible non-domestic customers, including businesses, charities and public sector organisations. This took effect on 1 October 2022.

Energy Price Guarantee

The Energy Price Guarantee will ensure that a typical household in the United Kingdom pays around £2,500 a year on their energy bill, depending on their use, for the next 2 years, from 1 October 2022.

Alternative Fuel Payment

This scheme is intended to deliver a one-off payment of £100 to UK households who are not on the mains gas grid and therefore use alternative fuels, such as heating oil, to heat their homes. More detail on non-domestic consumers will be set out shortly.

Northern Ireland Energy Bills Support Scheme

Powers in the Bill will provide a robust basis to allow the government to make payments and deliver NI EBSS, which will provide £400 of support to households in Northern Ireland this winter. Powers will enable a similar delivery model to the Energy Bills Support Scheme in Great Britain, in respect of using the existing regulatory regime to enforce and provide assurance to the government on delivery.

Energy Bills Support Scheme Alternative Fund

This scheme is intended to provide the £400 of support for households across the UK that would otherwise miss out on the Energy Bills Support Scheme, as they do not have a domestic electricity contract. The Alternative Funding will be made available for this winter, with an announcement on this in due course. The Bill will provide powers to deliver the funding through local authorities.

Heat network support

Powers in the Bill will ensure that heat networks benefiting from the Energy Bill Relief Scheme pass through cost savings to their consumers. The Bill provides for the appointment of an Alternative Dispute Resolution body which will handle complaints raised by consumers against their heat network if it has not complied with passthrough requirements.

Pass-through requirements on intermediaries

This legislation is intended to ensure support from the Energy Price Guarantee, Energy Bill Support Scheme, or Energy Bill Relief Scheme, are received by the end user in cases where intermediaries procure energy on their behalf in accordance with the terms of regulation. For example, the

legislation will require landlords to pass benefits to through tenants with further details of the requirements under this legislation to be set out shortly.

Cost-Plus Revenue Limit

The government is taking steps to break the link between abnormally high gas prices and how much revenue low-carbon electricity generators receive. This will allow consumers to pay a fair amount for their electricity, and ensure electricity generators are not unduly profiting from the energy crisis caused in part by Russia's invasion of Ukraine. The government recognises the importance of dispatchable and baseload generation for security of supply. The low-carbon technologies that can deliver these types of power do tend to have higher input costs (such as biomass and nuclear) and this is being considered as part of the detailed policy design.

Contracts for Difference

We are also legislating for powers that would allow us to consider running a voluntary Contracts for Difference process for existing generators to take place in 2023. A voluntary contract would grant generators longer-term revenue certainty and safeguard consumers from further price rises.

Notes to editors

To ensure the schemes can work effectively for government, energy suppliers and consumers, with the minimum disruption to existing processes, emergency legislation is being introduced to underpin the schemes.

The Bill will be subject to the standard parliamentary process for emergency legislation.

For customers in Northern Ireland, both the Northern Ireland Energy Bills Support Scheme and Northern Ireland Energy Price Guarantee will work similarly to those in Great Britain, and householders will receive an equivalent level of support. A similar scheme to the Energy Bill Relief Scheme will be established in Northern Ireland, providing a comparable level of support. Further detail will be released in due course.

Cost-Plus Revenue Limit

The full scope of coverage is still being determined, but this will apply to low-carbon generating assets not currently covered by a Contract for Difference.

We are planning for this to be in place from the start of 2023.

The temporary revenue limit will apply in England and Wales, and we are liaising with the Scottish Government to confirm whether the measure will extend to Scotland. The legislation allows for a temporary revenue limit to apply in Northern Ireland.

This is planned to be a temporary measure to deal with the exceptional market conditions driven by high global gas prices, in light of Russia's invasion of Ukraine, and it is anticipated that this will endure until such time as the markets return to normal or generators move onto other market arrangements, such as a Contract for Difference.

The limit will still allow generators to cover their costs and receive an appropriate revenue that reflects their operational output, investment commitment and risk profile.

The government is working through the detail of the appropriate price for the 'Cost-Plus Revenue Limit' but one relevant factor being considered is the pre-crisis expectations for wholesale prices, and what a reasonable upper estimate for what those might be.

The government is focused on ensuring that the market continues to function with a appropriate signalling to incentivise dispatch at times of system need. As a result, we are considering an arrangement that allows generators to keep a proportion of their revenue above the limit.

The limit is to be set in advance of the policy taking effect however we anticipate that the revenues received by generators will be considered at the end of a settlement period.

The government recognises the importance of dispatchable and baseload generation for security of supply, and the importance of continued investment in these supplies. The low-carbon technologies that can deliver these types of power tend to have higher input costs (such as biomass and nuclear) and this is being considered as part of the detailed policy design.

This intervention differs from a windfall tax as it will be applied to excess revenues generators are receiving, as opposed to applying to all profits.

The government remains committed to supporting investment into the renewables sector. The next allocation round of the government's flagship Contracts for Difference support scheme for the deployment of new generation will launch in 2023 as planned.

Generators would also continue to receive their existing revenue support or subsidy payments, for example Renewable Obligation Certificates, which will help preserve market stability.