

Government outlines plans to help cut energy bills for businesses

- New Government scheme will see energy prices for non-domestic energy customers such as businesses, charities and public sector organisations cut – protecting them from rising energy costs
- Government work with suppliers will reduce wholesale energy costs – and the significant rises in bills that businesses have seen
- This support is in addition to the Energy Price Guarantee for households, with further measures today to strengthen support for families across the United Kingdom, including those in rentals or park homes

New support for households, businesses and public sector organisations facing rising energy bills in Great Britain and Northern Ireland has been unveiled by Business Secretary Jacob Rees-Mogg today (Wednesday 21 September) – supporting growth, preventing unnecessary insolvencies and protecting jobs.

Through a new Government Energy Bill Relief Scheme, the Government will provide a discount on wholesale gas and electricity prices for all non-domestic customers (including all UK businesses, the voluntary sector like charities and the public sector such as schools and hospitals) whose current gas and electricity prices have been significantly inflated in light of global energy prices. This support will be equivalent to the Energy Price Guarantee put in place for households.

It will apply to fixed contracts agreed on or after 1 April 2022, as well as to deemed, variable and flexible tariffs and contracts. It will apply to energy usage from 1 October 2022 to 31 March 2023, running for an initial six-month period for all non-domestic energy users. The savings will be first seen in October bills, which are typically received in November.

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 (in the form of a p/kWh discount) will automatically be applied to bills.

To administer support, the Government has set a Supported Wholesale Price – expected to be £211 per MWh for electricity and £75 per MWh for gas, less than half the wholesale prices anticipated this winter – which is a discounted price per unit of gas and electricity. This is equivalent to the wholesale element of the Energy Price Guarantee for households. It includes the removal of green levies paid by non-domestic customers who receive support under the scheme.

The level of price reduction for each business will vary depending on their contract type and circumstances:

- Non-domestic customers on existing fixed price contracts will be eligible for support as long as the contract was agreed on or after 1

April 2022. Provided that the wholesale element of the price the customer is paying is above the Government Supported Price, their per unit energy costs will automatically be reduced by the relevant p/kWh for the duration of the Scheme. Customers entering new fixed price contracts after 1 October will receive support on the same basis.

- Those on default, deemed or variable tariffs will 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 £405/MWh for electricity and £115/MWh for gas, subject to wholesale market developments. Non-domestic customers on default or variable tariffs will therefore pay reduced bills, but these will still change over time and may still be subject to price increases. This is why the Government is working with suppliers to ensure all their customers in England, Scotland and Wales are given the opportunity to switch to a fixed contract/tariff for the duration of the scheme if they wish, underpinned by the Government's Energy Bill Relief Scheme support.
- For businesses on flexible purchase contracts, typically some of the largest energy-using businesses, 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 Maximum Discount.

A parallel scheme, based on the same criteria and offering comparable support, but recognising the different market fundamentals, will be established in Northern Ireland.

If you are 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. Further detail on this will be announced shortly.

We will publish a review into the operation of the scheme in three months 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.

Prime Minister Liz Truss said:

I understand the huge pressure businesses, charities and public sector organisations are facing with their energy bills, which is why we are taking immediate action to support them over the winter and protect jobs and livelihoods.

As we are doing for consumers, our new scheme will keep their energy bills down from October, providing certainty and peace of mind.

At the same time, we are boosting Britain's homegrown energy supply so we fix the root cause of the issues we are facing and ensure greater energy security for us all.

Chancellor Kwasi Kwarteng said:

We have stepped in to stop businesses collapsing, protect jobs, and limit inflation.

And with our plans to boost home-grown energy supply, we will bring security to the sector, growth to the economy and secure a better deal for consumers.

Business Secretary Jacob Rees-Mogg said:

We have seen an unprecedented rise in energy prices following Putin's illegal war in Ukraine, which has affected consumers up and down the country and businesses of all sizes.

The help we are already putting in place will save families money off their bills, and the Government's plans for businesses, charities and public sector organisations will give them the equivalent level of support.

This, alongside the measures we are taking to boost the amount of domestic energy we produce to improve both energy security and supply, will increase growth, protect jobs and support families with their cost of living this winter.

Kate Nicholls, CEO of UKHospitality said:

This intervention is unprecedented and it is extremely welcome that Government has listened to hospitality businesses facing an uncertain winter. We particularly welcome its inclusiveness – from the smallest companies to the largest – all of which combine to provide a huge number of jobs, which are now much more secure.

The Government has recognised the vulnerability of hospitality as a sector, and we will continue to work with the Government, to ensure that there is no cliff edge when these measures fall away.

Support for households in Great Britain and Northern Ireland

Today's announcement follows the launch of the Energy Price Guarantee for households in Great Britain, under which a typical household will pay on average £2,500 a year on their energy bill for the next two years from 1 October.

The scheme limits the price suppliers can charge customers for units of gas and electricity, taking account of the Exchequer temporarily funding for two

years environmental and social costs, including green levies – worth around £150 – which are currently included in domestic energy bills. The guarantee supersedes the existing price cap and is expected to save the average household £1,000 a year based on current energy prices from October.

It also comes in addition to the announced £400 energy bills discount for all households and together, they will bring costs close to where the energy price cap currently stands.

Today, the Business Secretary also confirmed equivalent support for households in Northern Ireland. The Northern Ireland Energy Price Guarantee will offer households the same level of gas and electricity bill support as the equivalent scheme in Great Britain.

Households in Northern Ireland will also receive a £400 discount on bills through the Northern Ireland Energy Bills Support Scheme (NI EBSS), the same support as is available in Great Britain.

For the Energy Price Guarantee, the scheme will still work through electricity and gas bills. The scheme will provide households in Northern Ireland with equivalent financial support with their electricity and gas bills as for those in Great Britain. Energy suppliers will reduce bills by a unit price reduction of up to 17p/kWh for electricity and 4.2p/kWh for gas, and there is no need to take any action to receive this support. This will take effect from November, but the Government will ensure households receive support so they will see the same benefit overall as those households in Great Britain backdating support for October bills through bills from November.

Targeted support

The Government also announced today further details on the separate Energy Bills Support Scheme (EBSS) to ensure that the £400 discount to households starting from October will also be available to the 1% of households who would not otherwise have received this support.

Additional funding will be made available so that £400 payments will be extended to include people such as park home residents and those tenants whose landlords pay for their energy via a commercial contract. The government is committed to ensuring such households receive the same support for their energy bills. The Government will introduce legislation to make sure landlords pass the EBSS discount on to tenants who pay all-inclusive bills.

The Government will also provide an additional payment of £100 to households across the UK who are not able to receive support for their heating costs through the Energy Price Guarantee. This might be because they live in an area of the UK that is not served by the gas grid and is to compensate for the rising costs of alternative fuels such as heating oil.

Notes to Editors

- To ensure the scheme can work effectively for government, energy suppliers, businesses and other non-domestic organisations, with the minimum disruption to existing processes, emergency legislation is being introduced to underpin the scheme. This will be subject to the standard parliamentary process for emergency legislation.
- Emergency legislation will be introduced at the earliest opportunity when Parliament is back from recess in October. The precise timeline will depend on parliamentary scheduling and is still to be confirmed.
- Demonstrative examples of businesses / organisations this will help are:

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%.

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%.
- The Government will conduct a review of the Government Energy Bill Relief Scheme, to be published in 3 months' time, to assess:
 - 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
- The extent to which the scheme could be extended and further targeted,

or alternatively replaced with other targeted support for these most vulnerable users.

- The scheme is intended to have a broad application but there may be very limited exclusions, for example businesses that use gas or electricity to generate or store power they are selling back into the grid, such as power stations, pumped hydro or grid-level battery storage.
- The supported wholesale prices for gas and electricity under the scheme will be confirmed on 30 September.

Martin McTague, National Chair of the Federation of Small Businesses, said:

Small businesses called for decisive action – now the government is delivering. With small firms the least able to avoid closure and 16 million employees relying on them, Ministers have listened to our community and got this big call right. Now it's up to energy retailers to live up to the high bar set today and make sure this help reaches those on the ground.

Jonathan Geldart, Director General of the Institute of Directors, said:

This is an important intervention by the government and provides much needed short-term reassurance for the numerous firms that are facing soaring energy bills. We look forward to working with the government in the coming months to ensure that further relief is targeted at those industries and sectors whose survival is most threatened by current economic conditions.

Ultimately, however, business and government will need to work hand in hand to develop domestic energy sources and reduce consumption and dependency on expensive fossil fuels.

Anthony Impey, CEO of Be the Business, said:

This package of support will give business owners the confidence to take long term investment decisions, which many have been postponing in response to rising prices.

They can now focus their efforts on activities that drive growth and productivity, such as adoption of technology and increasing the skills of their employees and management teams.

James Lowman, Chief Executive, Association of Convenience Stores, said:

We strongly welcome the Government's support package which will provide a lifeline for thousands of local shops, enabling them to keep trading and serving their communities.

We will continue to work closely with the Department for Business, Energy and Industrial Strategy on longer term solutions to the energy crisis facing convenience stores and other businesses, including ways to incentivise investment in energy efficient technology.

The Food and Drink Federation CEO Karen Betts said:

We welcome the scope of the Government's Energy Bill Relief Scheme and the speed with which it's being rolled out. It addresses the largest and most volatile cost pressure facing our industry right now. Although some aspects of the scheme are still to be clarified, it offers relief to food and drink manufacturers across the UK.

Stephen Phipson CEO of Make UK, the manufacturers' organisation said:

Industry will warmly welcome the timely announcement of an energy price cap for an initial 6 months for all business users. Government has delivered a scheme which is simple to understand, giving reassurance to the business sector. However as appear prices will likely remain high for many months to come, industry will need support for a longer period to protect jobs and remain competitive, so the further announcement of a review on future support at the 3 month stage is reassuring.

We hope that this support can be made tangible as quickly as possible and not applied retrospectively at the end of the next quarter.