The Energy Bill Relief Scheme

As part of the Government's growth plan that sets out measures for growth, it was confirmed that the Government would introduce the Energy Bill Relief Scheme that would cap business energy costs.

The length of the scheme

The scheme will initially last for six months from 1 October 2022 to 31 March 2023. It will be reviewed after the first three months and decisions will be made on whether the scheme should be extended to vulnerable sectors.

The rate of the price cap

The Government support price has been set at 21.1p/kwh for electricity and 7.5p/kwh for gas. This will apply to energy usage for the length of the scheme. Some forecasts had suggested that wholesale prices for electricity could be 60.0p/kwh and for gas at 18.0p/kwh.

However, it is important to note that the scheme does not affect the rise in the standing charges paid by businesses. In some cases, CLA members are being forced to pay well over £3 per day when the previous standing charge was only 26p per day.

Eligibility

The scheme is available to everyone on a non-domestic contract who are on:

- existing fixed price contracts agreed on or after 1st December 2021
- signing new fixed price contracts
- on deemed/ out of contract or variable tariffs
- on flexible purchase or similar contracts

How the energy cap will be applied

Suppliers will automatically apply reductions to the bills of all eligible non-domestic customers. Then government will compensate suppliers for the reduction in wholesale prices. This support will be the same across suppliers but individual bills will continue to vary across different contracts and tariffs.

The review of the scheme

The scheme will be reviewed in 3 months' time based on three questions:

- 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, considering the latest price position and forward curves, alongside other cost pressures? and,
- how to continue supporting these customers – either by extending the existing scheme for some users, or replacing with a different scheme

For those identified as eligible for further support at the end of the initial 6-month scheme, support will continue.

However, for those unlikely to be considered for further support, particularly larger businesses that are not energy intensive, the government has advised that they should use the support period to identify measures to mitigate the effect of high energy prices

The CLA view

The CLA has given a cautious welcome to the scheme. But there remains a real concern that unless rural businesses are cushioned after the scheme ends in March, they will face a cliff edge, leading to further confusion and uncertainty.

It is also vitally important that the government addresses the harm that vastly inflated standing charges will cause many businesses. The scale and uneven application of standing charges is completely unjustified and it is the responsibility of the government and regulator to put in place a system that is both equitable and fair.