



Latest Energy News

How does the energy crisis impact you?

19th October 2022

Put simply, most of society will have noticed their bills going up and the ramifications of the energy crisis. The energy crisis has been created by a 'perfect storm' of different environmental and political events. These factors have contributed to the increase in the price of the wholesale energy markets which then get relayed to the consumer. From the COVID-19 pandemic to climate change to the current war in Ukraine, prices for nearly everything we buy have gone up, especially energy.

If you have been locked within a fixed rate contract at a low price, for example, you signed a 36-month contract at the beginning of 2021, you will have, hopefully, remained unaffected. Over the past year, political and environmental factors have caused the market to be unstable, resulting in unaffordable prices and extreme volatility. This has caused problems for organisations that have had to renew their energy contracts over the past few months especially. We have seen massive increases, which unfortunately some organisations cannot afford.

However, whilst the prices are currently at a record level, on 8th September, Prime Minister Liz Truss announced the government will prepare a package of support to help tackle the energy crisis. For the first time, a two-pronged approach will set price caps on both domestic and non-domestic energy bills, with the non-domestic price cap in place for six months. Truss announced that at least £40 billion had been put aside to help organisations get through the winter months. With the announcement of the 'Energy Bills Relief Scheme,' we now have more information about how the government is going to help organisations through the energy crisis.



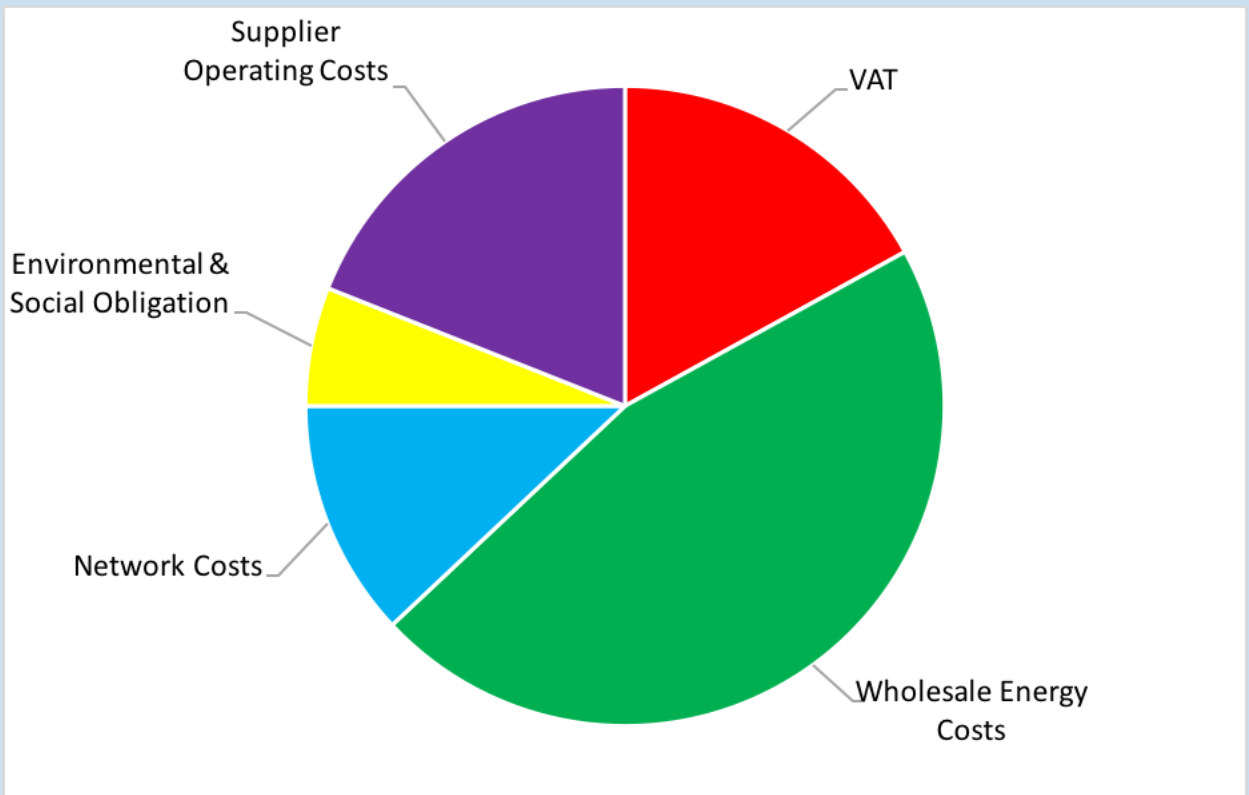
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From 1st October 2022 until 1st March 2023, the commodity cost of a unit of electricity will be capped at 21.1 pence or £211 per MWh (megawatt hour) and an equivalent unit of gas will be capped at 7.5 pence or £75 per MWh (megawatt hour). This discount will apply to all fixed price contracts commencing 1st October onwards, which have been signed on or after 1st December 2021 and the relief to be applied will be calculated on the date of contract signature.

One thing to note, this cap for organisations only applies to the wholesale cost of energy. This is not the final price of energy, and you will have non-energy related costs on top of this.





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Those on default, deemed or variable tariffs will find that their discounts are capped, meaning they will not save as much as those in contracts. The gov.uk website states that ‘...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.’ (1) If you would like to read more about this scheme, please click this link to be taken to the gov.uk website.

Details of the relief can be located as follows Energy Bill Relief Scheme: discounts for fixed, default and variable contracts – GOV.UK (www.gov.uk). Due to the delay of the discounts being announced most suppliers will be applying the discount in November and backdating to 1st October 2022.

One way to avoid high-cost energy bills is to look at reducing your consumption, whilst we appreciate this isn't always possible, there may be a few small differences that you can make to help reduce your consumption. Turning appliances off stand-by, switching light bulbs to energy-saving, using heating systems properly and ensuring they are serviced can immediately influence how much you are spending. Keep an eye out for our blog ‘How to reduce your consumption’ which will be published on our website soon.

If you are worried about your energy bills and are unsure as to what to do next, please get in touch with our friendly energy consultants who will be able to advise what your next best step is.

For more information, please get in touch on;

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