Policy and regulation newsletter

Welcome to the third edition of our policy and regulation newsletter.

After a positive response to our first two policy and regulation newsletters, we've continued to work closely with our regulatory, economics and government policy experts to bring you the latest energy news.

If there are subjects or topics you'd like us to cover in our next edition, please send your feedback to info@sseenergysolutions.co.uk.

Machinery of Government change

The Prime Minister Rishi Sunak made several changes to government departments in early February, separating energy from business into individual departments. The new title of the new department – Energy Security and Net Zero (DESNZ) – gives a clear indication of where the government's priorities lie when it comes to energy policy. As part of the new department's drive to act on energy security and reducing carbon emissions, it launched a new energy saving campaign for businesses at the start of April. More details are here: **gov.uk/government/news/government-launches-campaign-to-help-businesses-drive-down-energy-bills**

Energy Bills Discount Scheme (EBDS)

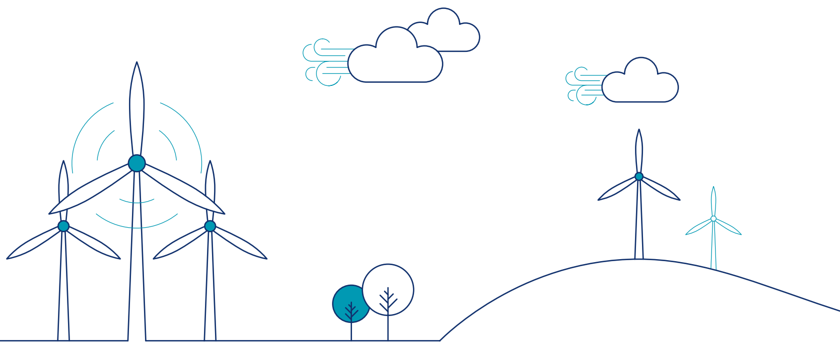
Final details of the government's new support schemes for business, which will replace the incumbent Energy Bill Relief Scheme (EBRS), are being finalised by the new energy department DESNZ. The new scheme – the EBDS which also includes an enhanced scheme of support for Energy and Trade Intensive Industries (ETII) – will kick in to cover energy consumption from 1 April 2023 till 31 March 2024.

The support levels set by government are significantly lower than those for the EBRS and it is likely that many businesses which have benefitted from this winter's support will no longer have government discounts applied to their bills. The government has recently published the discounts that will apply for customers on fixed rate contracts and customers on variable rate contracts.

These rates can be viewed here: **gov.uk/government/publications/energy-bill-discount-scheme-discounts-for-fixed-default-and-variable-contracts**

Many businesses will however also be benefitting from lower VBR and fixed contract rates due to recent falls in wholesale energy prices.

For further details on what the government has published about the scheme to date, please visit our website here: **sseenergysolutions.co.uk/customer-help-centre/energy-bill-support/EBDS**



Alternative Fuel Payment

The Non-Domestic Alternative Fuel Payment (ND AFP) is a scheme, which forms part of the government's cost of living assistance package for non-domestic consumers over winter 2022 to 2023. The £150 ND AFP will provide non-domestic properties using alternative fuels for heating with comparable support to the discount given to non-domestic customers benefitting from the Energy Bill Relief Scheme.

For identified eligible customers with a relationship with a non-domestic supplier, the scheme is being delivered by electricity suppliers in Great Britain (GB) and Northern Ireland (NI) in February and March 2023.

These customers do not need to apply for this payment. A top-up payment in addition to the £150 ND AFP will be available for large users of heating oil (kerosene) in GB and NI to take account of their higher usage. These top-up payments will require consumers to apply directly to a delivery body and will be banded based on level of usage.

Households, businesses and organisations off the gas grid to receive energy bill support over the coming weeks | gov.uk

Exemption for Energy Intensive Industries (EIIs) from the indirect costs of the Renewables Obligation (RO)

A consultation last summer by the former department charged with energy policy – the Department of Business, Energy and Industrial Strategy (BEIS) – had raised the possibility of exempting businesses with an EII certificate from all costs association with the RO. However, BEIS has decided that the current EII exemption, which stands at 85% of RO costs, will not be increased further for the 2023-2024 obligation year.

BEIS said that its response to the wider consultation on increasing the level of exemption EIIs receive from the costs of funding renewable energy initiatives will be forthcoming in due course. This response will come from the new department DESNZ and we will provide an update in future newsletters and on our LinkedIn page.

Industry programmes continue at pace

Smart

Since 1 January 2022, all suppliers have been required to achieve an annual target number of Smart meter installations. Whilst many non-domestic customers are enjoying the benefits of Smart, but there is still work to be done to harness the full potential of smart metering.

Smart metering can give businesses better control over their usage and new regulations mean that customers will also be able to view their Smart meter data in more meaningful ways. From 1 October 2024, suppliers will be required to provide greater data-driven information to enable customers to gain insights into consumption over time and make informed choices about when/how much energy they use, using half-hourly consumption data as the basis.

The Department for Energy Security and Net Zero (DESNZ) has recently published a consultation on setting targets and tolerance levels for Year 3 and 4 of the rollout framework (2024 and 2025). Tolerance levels were not set for Year 3 and Year 4 initially as the government wished to ensure that the most recent data was used to set installation requirements for the final two Framework years. Given that many suppliers fell short of Year 1 targets, we consider that further initiatives will be needed to maximise the rollout in the allocated timeframe, with suppliers and government working together to achieve the best possible customer outcomes.

Smart Meter Targets Framework: minimum installation requirements for Year 3 (2024) and Year 4 (2025) | gov.uk

Half Hourly Settlement

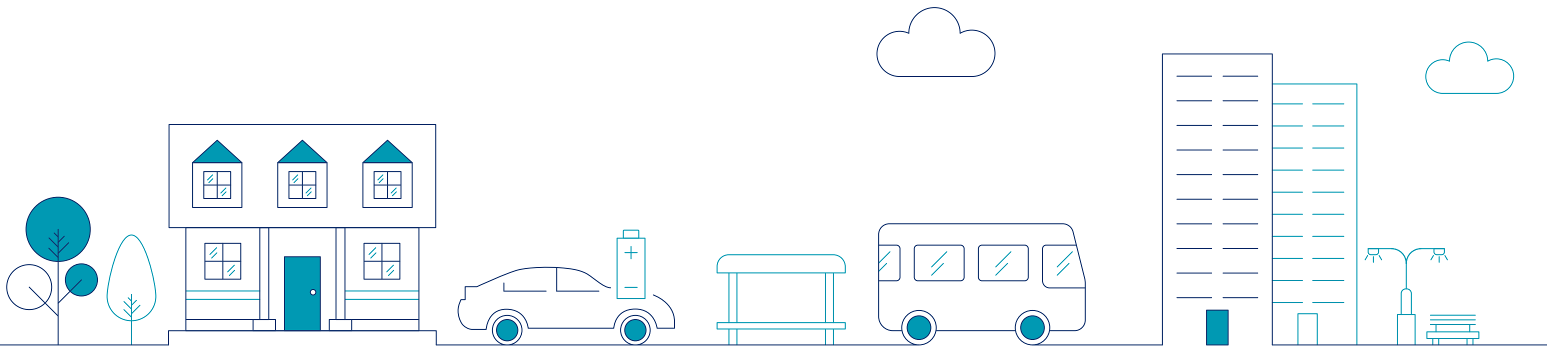
The industry programme to deliver half-hourly settlement for electricity customers is continuing its replanning exercise to determine the timeline for the delivery of the changes needed. While we had previously expected that Ofgem would decide on the replan by the end of March 2023, this deadline has now been extended to facilitate an industry consultation on the proposed re-plan. It is expected that the outcomes of this consultation will be considered by Ofgem during early-May, with a decision from Ofgem expected by early-June 2023.

Non-dom consumer harm

In January this year Jonathan Brearley, CEO of the energy regulator Ofgem, issued a letter to the Chancellor of the Exchequer highlighting the steps Ofgem is taking following reports of non-domestic consumer harm. In addition to compliance reviews on existing supplier obligations, Ofgem confirmed it is launching a review into the non-domestic market, which will include a Call for Input to gather information from stakeholders. This has recently been issued, with Ofgem's intention to publish outputs later this year.

We are engaging closely with Ofgem and look forward to engaging further with the Call for Input. We want a fair and efficient market for all consumers. We previously supported Ofgem's Microbusiness Consumer Review, that introduced remedies for MBC consumer benefit such as increased brokerage cost transparency and removal of the requirement for written termination notices. We are committed to working collaboratively with Ofgem to improve and maintain confidence that the market is working effectively for consumers.

Letter to Chancellor of the Exchequer from Jonathan Brearley on Non-domestic supply market concerns and actions | Ofgem



Changes to policy and regulatory costs

The way BSUoS charges are collected has changed, affecting customers on SSE Choice electricity contracts.

A regulatory change in BSUoS (Balancing Services Use of System) charges has caused the forecast price to increase significantly. We do everything we can to shelter our customers from non-commodity cost fluctuations, but unfortunately, given the extent of this increase, we need to increase the rate SSE Choice customers pay.

SSE Choice customers' billed rate will increase by 0.925p/kWh from 1 April 2023 for the remainder of their contract. There will be no change to the standing charge they pay. All other terms and conditions remain unaffected. Any sites with a price transfer date of September 2021 onwards are excluded from this uplift. After this time, we built this increase into our pricing, which aligned with Ofgem's intentions.

If you have a customer on an SSE Choice contract, we'll contact them this month about the uplift. You can see a copy of the letter here.

The way costs are recouped for transporting electricity from generation source to demand source is also changing due to industry regulations as part of the Targeted Charging Review led by Ofgem.

From 1 April, suppliers including ourselves will be passed an increased share of these transmission costs, known as TNUoS charges.

Specifically, the allocation of fixed transmission costs is changing for many customers, and these charges will differ based on the customer's location and the band or profile class the customer's supply point is allocated. Band or profile class is based on the size of connection and annual demand. Any changes relating to these costs will be made to the customer's standing charge.

For a better world of energy

To find out more about how SSE Energy Solutions can help your business, get in touch today.

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