

# How energy price aid will work for households and businesses

State intervention in the energy market will protect households, businesses and public sector organisations from the worst of the rise in wholesale gas prices.

The Government's "energy price guarantee" for households and the "energy bill relief scheme" for everyone else aims to keep bill pain at less than half the amount predicted for the winter ahead.

While the plans shelter us all from far bigger bills, there will be a price to pay eventually as the taxpayer will be on the hook for the support which could add up to even more than the Covid bailouts. How much that will be depends on how high wholesale gas and electricity costs go.

Here, Sky News explains how you will be helped in the months ahead.

## Households

Last month it was announced that the energy price cap would rise to an average annual of £3,549 in October from £1,971 at present. That will now not happen.

Instead there will be a price guarantee – a sum that will not exceed £2,500 from October for two years.

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Helping bring that number back to the level of the current cap is the £400 discount – announced previously – for each household, and a temporary removal of green levies of £150 a year from bills.

The energy price guarantee covers the vast majority of

households – around 24 million who pay for their gas and electricity by direct debit.

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You could still pay more for your gas and electricity – £2,500 is an average sum based on unit prices, so the more you use, the more you will pay.

The Treasury is effectively covering the difference between wholesale prices that will exceed the household bill “guarantee” level of £2,500.

#### **I am not currently covered by the price cap. Do I benefit?**

A fraction of households are on time-limited fixed-price deals.

There are 4.5 million on pre-payment meters who pay around 5% more than those under the price cap.

The same comparable level of discount will apply across all variable and fixed rate tariffs.

Some may have to pay a penalty to leave their fixed deals early, assuming it is worth doing.

“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 said.

It announced plans to introduce legislation to make sure landlords pass discounts on to tenants whose bills are included in their rent.

People who heat their homes with oil will be given a £100 grant.

A Northern Ireland Energy Price Guarantee will give households the same level of gas and electricity bill support as the

equivalent scheme in the rest of Britain.

## **Businesses**

Organisations have had no protection from rising energy prices unless they had or have a fixed deal.

This has led to five-fold increases in energy costs – even more for businesses that use a lot of electricity and gas, such as food producers and transport companies. Some of those higher costs have pushed up inflation because they have been passed on to customers.

The government said on Wednesday that the wholesale cost of gas and electricity will be cut for companies under a scheme that will run for six months starting in October.

The “supported wholesale price” is expected to be £211 per megawatt hour (MWh) for electricity and £75 per MWh for gas.

This is around half the expected wholesale price on the open market and equivalent to the cap on household energy bills.

Organisations which signed fixed-price deals on or before April 1 this year will have the wholesale part of their bill capped automatically. Those who enter fixed-price contracts after October 1 will get the same support.

Companies on default, deemed or variable tariffs will be given a per-unit discount, but the amount of support they can get is limited.

This means that if the price on wholesale gas and electricity markets keeps rising, their bills will go beyond those on fixed-price deals.

The Government said it was working with suppliers to ensure they offer businesses the chance to switch to a fixed contract.

The level of support offered to companies with flexible purchase contracts, which include some of the biggest energy users, will also be capped.

The big unknown is what will happen beyond April but Ms Truss said that the most vulnerable business customers, including pubs and shops, could expect more help.