

Briefing - The Energy Market

The energy market faces its biggest challenges at the moment. Uncertainty over the security of supply, the volatile nature of the wider trading climate and the risk this brings, and government intervention are all factors that can leave even the most sophisticated procurement manager a bit confused. Couple this with sensationalised press reporting and unscrupulous broker activity and it is clear that there has never been a tougher time to enter a contract for gas or electricity.

We hope this briefing gives you a bit more transparency and allows you to make a more informed decision over these critical buying decisions.

Your gas and electricity contracts are typically measured in pence/kilowatt hour (p/kwh). The final price you pay is made up of several elements.

- Commodity price – typically reflects the wholesale price market.
- Non-commodity price – these include factors such as transmission costs and risk loadings.
- There are other costs including climate change levy, standing charges and taxation which are all the fixed-priced elements of your bill.

The government recently announced its Energy Bill Relief Scheme (EBRS). The scheme will run from 1 October 2022 to 1 April 2023 and covers any contracts negotiated from 1 December 2021. There is a significant difference between the EBRS and the cap on domestic tariffs. In the domestic market, a maximum price per unit has been agreed and every household's bill will reflect this.

In the commercial market, however, the commodity element of the price you pay is the only thing that has been capped to 21p/kwh (7.5p/kwh for gas). This means that there are still elements of your tariff that are uncapped. The common misconception is that your commercial energy tariff will be 21p/kwh, the reality is that with the other non-commodity elements your tariff will be more like 35-40p/kwh. Also, a lot of companies have overlooked the fact that the contract will revert to the full price once the scheme ends in April 2023.

Therefore, it has never been more critical to utilise energy brokers than in the current market. They can help you navigate the issues, give market intelligence and organise a situation that is as beneficial to the end-user as possible.

They can also recommend other areas to consider when trying to minimise your utility bills. These include ensuring you have the right capacity charges on your meters, high efficiency LED lighting is in place, solar, wind and heat source pumping schemes and auditing your water bills for you to ensure you have not been overcharged.

At QuikSwitch™ we have been successful in converting the capital expenditure outlined above into operational expenditure. Put simply, there is no upfront costs to your renewable projects and instead you buy the energy produced by the processes above instead of buying it from the grid. Coupled with the water and energy audits we are doing our utmost to assist our clients navigate the difficulties caused by the rising costs of energy.