Title: Energy Bill Relief Scheme (EBRS) Non-Standard Cases
IA No: BEIS001(F)-23-NZBI

RPC Reference No: N/A

Lead department or agency: Department for Business, Energy and Industrial Strategy (BEIS)

Other departments or agencies: N/A

Impact Assessment (IA)

Date: 06/01/2023

Stage: Final

Source of intervention: Domestic

Type of measure: Secondary legislation

Contact for enquiries:

Summary: Intervention and Options

RPC Opinion:

Cost of Preferred (or more likely) Option (in 2022 prices)

Total Net Present Social Value	Business Net Present Value	Net cost to business per year	Business Impact Target Status
NQ	NQ	NQ	Non-Qualifying provision

What is the problem under consideration? Why is government action or intervention necessary?

The standard Energy Bill Relief Scheme (EBRS) scheme aimed to protect businesses, workers and consumers from economic and welfare losses that would have been incurred due to the unprecedented rise and volatility in non-domestic energy bills. This EBRS for Non-Standard Cases is designed to provide support to certain non-domestic customers in Great Britain and Northern Ireland who face similar challenges in relation to their energy costs but do not receive support under the standard EBRS because they obtain their natural gas and/or electricity from unlicenced energy providers.

What are the policy objectives of the action or intervention and the intended effects?

The high-level objectives of intervention are to achieve the following for certain non-domestic energy customers who do not qualify for support under the standard EBRS:

i. Support economic growth
ii. Prevent unnecessary insolvencies of businesses unable to pay their energy bills
iii. Protect jobs from termination due to energy bill costs
iv. Limit inflation caused by increasing energy bills and knock-on impacts on prices of labour, goods and services

The intended effect of the policy is to provide immediate relief on energy costs this winter.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

While energy bill saving measures such as improving energy efficiency have a role in addressing rising energy costs in the long term, no combination of demand reduction measures can feasibly deliver a reduction in costs at sufficient scale to deliver the policy objectives in time for this coming winter other than direct support. Therefore, similarly to the EBRS, this Non-Standard EBRS option for direct support has been considered against a counterfactual of doing nothing.

Is this measure likely to impact on international trade and investment?		Yes / No		
Are any of these organisations in scope?	**Micro** Yes	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)		**Traded:** NQ	**Non-traded:** NQ	

Will the policy be reviewed? It willbe reviewed. **If applicable, set review date:** January 2024

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: Graham Stuart Date: 09 January 2023

Summary: Analysis & Evidence

Policy Option 1

Description: Introduce the Energy Bill Relief Scheme for Non-Standard Cases, which provides reductions in gas and electricity costs per MWh for non-domestic consumers that cannot access support under the standard Energy Bill Relief Scheme (EBRS).

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	**High:** Optional	**Best Estimate: N/A**

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	NQ		Optional	**NQ**

Description and scale of key monetised costs by 'main affected groups'

The primary cost of this intervention will fall on the Exchequer in the form of a transfer to non-domestic consumers. We estimate HMG will pay up to £2-4bn to non-domestic electricity and gas energy providers to cover the difference between market wholesale and Government-defined 'supported prices' if *all* businesses using unlicensed suppliers were to require support at the maximum level available. This is a maximum ceiling cost, and we do not expect all these businesses to require support or at the maximum level. Energy providers will incur familiarisation and admin costs to comply with this intervention. Due to the large variation in non-standard cases, there is significant uncertainty and we cannot quantify all familiarisation and admin costs, but we expect it to be less than £2m in total.

Other key non-monetised costs by 'main affected groups'

Any increases in energy consumption will lead to social costs from increased carbon emissions as well as air quality impacts. This has already been considered across all non-domestic customers (including Non-Standard Cases) in the standard EBRS scheme impact assessment and has not been estimated as a subset of this main scheme estimate.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	0		0	0

Description and scale of key monetised benefits by 'main affected groups'

The assessment does not include any monetised benefits.

Other key non-monetised benefits by 'main affected groups'

The most significant non-monetised impact is the avoidance of firm closures and redundancies. The benefits of avoiding closures will accrue to business, while the benefits of avoided redundancies will provide broader benefits to society.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5

The largest most significant source of uncertainty is the size of the overall relief. This represents a significant risk to the Exchequer. The uncertainty is driven by a number of things, including the future prices of energy, scale of demand for the duration of the intervention as well as the nature of existing contracts. The most notable risk is of fraud as well as the ability for energy providers to access the relief and pass on the benefits in time.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m: NQ			Score for Business Impact Target (qualifying provisions only) £m:
Costs: NQ	**Benefits: NQ**	**Net: NQ**	N/A

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1. Introduction

1. This scheme is designed to provide support for certain non-domestic customers in Great Britain and Northern Ireland, that are taking energy from the public electricity or gas grid, where that energy is provided by parties which are not licensed energy suppliers. These non-domestic customers do not receive support under the standard Energy Bill Relief Scheme (EBRS), as the legislation is focused on providing support through licensed suppliers. Payments will be applied to energy usage between 1 October 2022 and 31 March 2023.
2. The end-users to whom this EBRS Non-Standard Cases scheme will be available include businesses, voluntary sector organisations (such as charities) and public sector organisations (such as schools, hospitals and care homes) who:
   i. Procure natural gas and/or electricity from the main gas national transmission system or electricity grid directly themselves or from providers which are not registered energy suppliers (Qualifying Energy Providers, (QEP))
   ii. Pay a price for that energy that is linked directly to wholesale gas or electricity.
3. As a default position, the Qualifying Energy Provider should apply to BEIS for Energy Cost Support for the benefit of the Non-Standard Cases to which it provides gas or electricity. Where a NSC is procuring from the wholesale market and consuming the energy themselves, they would make an application for relief themselves. If, for some reason, the Qualifying Energy Provider is not best placed to apply for the Energy Cost Support, by agreement between the Qualifying Energy Provider and the Non-Standard Cases, another party in the chain of supply of energy may apply.
4. Government will provide payments to ensure that the end-users in Non-Standard Cases receive relief in respect of what they pay for their wholesale energy from their QEP. The relief will be the difference between the calculated volume-weighted average price paid by the Non-Standard Case end-user and the calculated government supported relief price for the given type of energy, up to the maximum level of relief.
5. Gas that is used for the purposes of generating, and exporting back to the grid, material quantities of electricity, including where this has been stored first, is excluded from the scheme. This is with the exception of Combined Heat and Power schemes that have an installed electrical generation capacity of ≤ 5MWe that could be eligible for relief on the amount sold to the grid as well[1].
6. Similarly to the standard EBRS scheme, the EBRS NSC scheme will utilise existing energy system mechanisms to limit the level of market disruption caused by interventions; the aim is for the competitive supply market to continue as it would have done before the energy crisis.

[1] Section 3 of Energy Bill Relief Scheme for Non-Domestic Customers in Great Britain Energy Bill Relief Scheme (No. 2) Rules. Section 7.2 of the EBRS GB/NI Guidance.

2. Proposed Legislation

7. The EBRS primary legislation for Great Britain and for Northern Ireland provides the broad framework for the EBRS Non-Standard Cases scheme, with the detail necessary for implementation set out in regulations.

8. The EBRS (Non-Standard Cases) Regulations 2023 are due to be laid before Parliament on 11th January 2023. In addition to EBRS primary legislation, the Statutory Instrument includes the following:

   - Information obligations – provides Secretary of State with the power to obtain information about the supply of gas or electricity to persons who are or may be eligible for assistance under the scheme.
   - Implied terms – certain descriptions of contract connected with the provision of energy to persons who are or may be eligible for assistance under the Scheme.
   - Pass-through Requirements – imposed on a relevant intermediary and establish that they must pass-through the benefits of the scheme to the end user to whom energy, heating and/or hot water has been made available.
   - Calculation of pass-through amount – sets out the way in which relevant intermediaries are to determine what is a just and reasonable amount.
   - Provision of information to end users – the information that relevant intermediaries are required to provide each of their end users about the scheme benefit provided to them; the amount or proportion the relevant intermediary intends to provide to the end user; and supporting details about how they have been calculated.
   - Effecting the pass-through – the way in which the pass-through is to be given effect including that it must be provided to the end user as soon as reasonably practicable after the scheme benefit has been provided to the relevant intermediary.
   - Enforcement – for unpaid pass-through amounts to be recoverable from the relevant intermediary by the end user as a civil debt.

9. The scheme terms as drafted will require energy providers to apply the energy cost support to each eligible customer. The risk of the energy provider not passing on the benefit of the scheme has been identified, and mitigation routes include:

   - A clawback clause and possibility of a proportionate fine so HMG can directly recover defrauded funds.
   - Specifications around data required incorporated into legislation to ensure that parties within the energy supply chain give HMG sufficient data to identify businesses and allow validation of funding.

10. A risk exists that intermediaries will not pass on benefits of the scheme to the end users (e.g. if a landlord includes energy bills as part of the rent). To reduce this risk, the pass-through requirement regulations include a requirement for intermediaries to pass on the benefits of the scheme to the end user.

11. The impacts assessed in this document represents our current understanding of the secondary legislation. Where necessary, we will update the evidence ahead of the enactment of any secondary legislation.

3. Problem Under Consideration & Rationale for Intervention

12. The UK is currently experiencing an unprecedented rise and volatility in non-domestic energy bills driven by rising global energy prices. Prices are not expected to return to pre-crisis levels until around 2025 when new gas sources come online. The scale of price increases and volatility in energy prices creates an undue burden on businesses and puts pressure on public and third sector organisations. This creates unnecessary risks for businesses navigating investments and employment decisions. Businesses need increased certainty and time to adapt their operations and optimise their decision making.
13. The standard EBRS scheme is already supporting most businesses. However, some businesses cannot receive support under the standard EBRS because they obtain their gas and/or electricity from the public network but not through a licensed supplier. An intervention is needed to protect these businesses, workers and consumers from economic and welfare losses.
14. Evidence from the economic literature suggests that there is a 'scarring effect' whereby negative impacts of unemployment can persist for the individual as well as the economy[2][3]. The evidence finds that unemployment at some point in a person's life, particularly at the beginning of a working career, tends to increase the probability of unemployment in the future, and can permanently reduce income as well. The negative impact of this effect could be an unintended consequence of not taking action to limit increases and volatility in energy prices.

4. Objectives of the Policy

15. The high-level objectives of EBRS are to achieve the following for non-domestic energy customers who do not qualify for support under the standard EBRS:

    i. Support economic growth

    ii. Prevent unnecessary insolvencies of businesses unable to pay their energy bills

    iii. Protect jobs from termination due to energy bill costs

    iv. Limit inflation caused by increasing energy bills and knock-on impacts on prices of labour, goods and services

5. Rationale and evidence to justify the level of analysis used in the IA (proportionality approach)

16. While energy bill saving measures such as improving energy efficiency can be part of a longer-term solution, no combination of measures can deliver energy cost reductions at sufficient scale to achieve the policy objectives in time for this coming winter. Further, without direct support this winter, there is no other option available to mitigate the immediate knock-on effects of the expected large-scale unemployment that would ensue from the closure of businesses which are unable to access the standard EBRS scheme, pass on higher costs, or rely on discretionary consumer spending. As such, at this stage, the EBRS Non-Standard Cases scheme is considered against the alternative of doing nothing further than the measures already announced in the Energy Security Strategy.
17. Given the diverse range of businesses and reasons that this subset of businesses cannot access the standard EBRS scheme, it is difficult to robust quantify the key benefits and costs of this scheme, and therefore only the cost of funding support and have been monetised. Other potentially significant costs and benefits are considered qualitatively in this assessment.

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[2] https://www.bankofengland.co.uk/-/media/boe/files/speech/2020/the-potential-long-term-effects-of-covid-speech-by-dave-ramsden.pdf

[3] https://ec.europa.eu/social/BlobServlet?docId=13626&langId=en#:~:text=Evidence%20from%20the%20literature%20suggests,and%20having%20lower%20prospective%20earnings

6. Options

6.1 Do Nothing (the counterfactual)

18. No intervention will mean that unlicensed energy providers would pass through high wholesale prices onto non-domestic consumers that are not eligible for the standard EBRS scheme, and where contracts had already been signed at prices substantially above historic trends.

19. In this scenario, we would expect there to be an increase in unemployment as businesses that are unable to pass on higher costs or rely on discretionary consumer spending are forced to close. The industrial sector and energy-intensive industries, in particular, would be at risk as they are more likely than other sectors to use unlicensed energy providers for their energy and are highly exposed to price pressures through trade (and therefore less able to pass on higher energy costs to consumers). This would be expected to lead to rises in business closure redundancies and a reduction in longer-term capital investments.

6.2 The Energy Bill Relief Scheme for Non-Standard Cases

20. The EBRS for Non-Standard Cases will provide energy bill relief for non-domestic customers in the UK that are that are taking energy from the public electricity or gas grid, by parties which are not licenced energy suppliers and are therefore not eligible for support under the standard Energy Bill Relief Scheme (EBRS). Relief will be applied to energy usage initially between 1 October 2022 and 31 March 2023.

21. The price reduction will be calculated using the same methodology as the standard EBRS scheme. To calculate the relief, the estimated wholesale portion of the unit price that consumer would be paying this winter will be compared to a baseline ‘Government Supported Relief Price’, and offers equivalent support to the Energy Price Guarantee for domestic customer[4]. However, for Non-Standard Cases, the relief will be slightly lower to reflect the fact that unlicensed energy providers do not pay for green levies such as the renewables obligation (calculated at £32MWh for electricity over the given period).

22. For all non-domestic energy users in GB this Government Supported Price has been set at:
    - £243 per megawatt hour (MWh) for electricity; and
    - £75 per MWh for gas.
    - subject to a ‘maximum level of relief (£313/MWh for electricity and £91/MWh for gas)

[4] https://www.legislation.gov.uk/ukia/2022/84/pdfs/ukia_20220084_en.pdf

7. Analytical Results

23. **Error! Reference source not found.** summarises the costs and benefits considered in this assessment. As noted above and taking a similar approach to the impact assessment for the standard EBRS scheme[5], we have focused on assessing the most significant cost implications of the EBRS for Non-Standard Cases, which is the cost to the Exchequer. It has not been possible to monetise the benefits. The largest and most significant benefit is expected to be avoided closures and redundancies. We discuss the details of each impact as well as how we have assessed these in the relevant sections below.

24. Where necessary, we will update the evidence ahead of the enactment of any secondary legislation.

Table 1: Summary of Main Costs and Benefits (identical to the standard EBRS scheme)

Agent	***Costs***	***Benefits***
Energy providers	**Monetised** - Familiarisation and Administration costs	
Businesses	**Monetised** - Familiarisation and Administration costs for intermediaries	**Not Monetised** - Avoided closures - Value of higher Energy consumption
Government	**Monetised** - Cost to Exchequer (transfer)	
Society		**Not Monetised** - Avoided redundancies - Negative externalities • Carbon emissions and air quality

7.1 Costs

7.1.1 Cost to Exchequer (transfer)

25. This represents the cost HMG will pay out to successful applicants to the scheme to cover the difference between wholesale market prices and the supported prices for Non-Standard Cases. For the purposes of the appraisal, this is treated as a transfer between government and non-domestic consumers.

26. Given that Non-Standard Cases are a subset of non-domestic energy consumers, the cost of this Non-Standard Cases scheme is already included in the £18.4bn cost estimated by the Office for Budget Responsibility for the standard EBRS scheme overall at Autumn Statement 2022[6]across. In this section, we are therefore estimating the proportion of the total £18.4bn cost estimated by the OBR that could be attributed to Non-Standard Cases. Due to the wide range of Non-Standard Cases, there is significant uncertainty in calculating cost. However, there are two methodologies that provide us with a range of £2bn-4bn as a maximum cost that could be attributed to Non-Standard Cases, which are:

    i. 10% of non-domestic electricity consumption is from unlicensed suppliers[7] and will therefore not be captured by the standard EBRS scheme. If we assume that a similar proportion of non-domestic gas consumption is also from unlicensed suppliers, then the total cost of supporting all

[5] https://www.legislation.gov.uk/ukia/2022/84/pdfs/ukia_20220084_en.pdf
[6] https://obr.uk/docs/dlm_uploads/CCS0822661240-002_CCS001_SECURE_OBR_EFO_November_2022_BOOKMARK.pdf, page 9
[7] DUKES (2022), Table 5.2:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1094456/DUKES_5.2.xlsx

Non-Standard Cases could be 10% of £18.4bn, or approximately £2bn when rounded to allow for significant uncertainty. This assumes that Non-Standard Cases have the same profile of consumption and level of relief claimed as under the standard EBRS scheme.

ii. Alternatively, we can assume that consumption levels remain consistent with published BEIS 2019 energy consumption statistics (from the Digest of UK Energy Statistics[8] (to avoid including the impacts of Covid-19 and to mirror the approach taken in the standard EBRS scheme impact assessment) and that all Non-Standard Cases receive the maximum relief available - £313/MWh for electricity and £91/MWh for gas). This produces a cost estimate of around £4bn, based on 10TWh of gas and 9.6TWh of electricity (equivalent to 10% of total non-domestic consumption in 2019 over 6 months of the year).

27. This cost range of £2-4bn is an upper ceiling estimate because not all businesses that consume energy from unlicensed suppliers will be eligible for support for the Non-Standard Cases scheme (I.e. Non-Standard Cases will represent *less* than 10% of non-domestic energy consumption). Further, wholesale prices in recent weeks have reduced significantly since the high levels observed in summer 2022[9], which may potentially mean levels of relief claimed under the scheme are below those used in the £2bn - £4bn estimated range. Significant wholesale price uncertainty remains.

7.1.1 Administration and Familiarisation Costs

28. The Qualifying Energy Provider (QEP) is responsible to apply for relief on behalf of the customer. The QEP is defined as the party that is closest to the customer in the energy supply chain. The QEP is required to pass-through relief to the customer.

29. Where this is not possible, and agreed by all relevant parties, other parties in the energy supply chain can apply for the relief. Relief can only be paid once for any eligible energy consumed. This may include intermediaries in the energy chain who also act as energy consumers.

30. In exceptional circumstances, there the appropriate QEP does not make an application, then the customer may apply on its own behalf (except wholesale market customers). They will need to have contacted their provider requesting they become part of the scheme and waited 15 business days for the QEP to confirm participation.

31. Administration and familiarisation costs will apply to QEPs, who are required to make an application and registration, calculate and pass-through relief to customers. The QEP may recover these costs by passing them on to the customer. For analysis purposes, these costs have been split into five sections:

- Administrative costs of price updates
- Administrative costs relating to costs of compliance and monitoring
- Familiarisation costs relating to administrating, compliance and monitoring
- Administration costs associated with data sharing
- Administrative and familiarisation costs to intermediaries relating to passing on scheme benefits

Administrative costs of price updates to energy providers

32. Energy providers incur administrative costs each time they change prices for consumers. These costs will be incurred by providers when they initially adjust prices to the guaranteed level, as well as any future updates made to the price level. These administrative costs include:

[8] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1094285/DUKES_1.1-_alternative_units.xlsx
[9] See Ofgem's wholesale market indicators: https://www.ofgem.gov.uk/energy-data-and-research/data-portal/wholesale-market-indicators

- Costs associated with reflecting changes in prices or relief in providers billing systems
- Adjusting contracts and notifying businesses of the change

33. The standard EBRS scheme impact assessment assumed that these costs could range from £0.20 to £1.80 per customer[10], taken from an Ofgem consultation. However, we anticipate that Non-Standard Cases will be more complex in nature and therefore administrative costs per consumer may be higher. Recent stakeholder engagement suggests that 50 - 1,000[11] businesses could be eligible for support through the EBRS for Non-Standard Cases. For illustrative purposes, if administrative costs were £10 per business, this would still be a relatively small overall total maximum cost of £10,000 to cover 1,000 businesses. Further, as the Impact Assessment (IA) for the EBRS scheme overall included consumption from Non-Standard Cases it is likely that these illustrative administration costs are not additional to those estimated in that IA.

Administrative costs relating to costs of compliance and monitoring for qualifying energy providers

34. These could include monitoring the number of customer accounts needed to be adjusted, the costs that providers have incurred as the difference between their energy costs and the supported price level, and providing evidence that they have complied with the scheme.
35. While the exact mechanism through which providers will be compensated is uncertain, the costs could have the potential to be large. There is a potential for some suppliers to have systems in place already to make this a fast process, others may be required to take on additional FTE to undertake this task. It is therefore difficult to ascertain a firm estimate for the administration costs associated with this.
36. There is significant uncertainty regarding the number of unlicensed energy providers and the additional resource that may be required for compliance and monitoring. For illustrative purposes, if we assumed that an additional 1 FTE was required per provider over the course of the 6 months of the scheme, this could cost £1m in total for 100 unlicensed energy providers[12]. This is likely to be the main potentially significant administrative cost associated with the Non-Standard Cases scheme.

Familiarisation costs relating to administrating, compliance and monitoring for energy providers

37. The policy will require QEPs to incur familiarisation costs in order to be able to make an application and registration claim, calculate and pass-through the relevant support from government. Due to significant uncertainty, we have not quantified these costs, but we do not expect them to be greater than for the standard EBRS scheme, which estimated costs to be between £10,000 and £20,000 in total.

Familiarisation and administration costs relating to data sharing

38. The policy will require QEPs and potentially businesses to share data on energy consumption to ensure that government can provide the relevant support as needed. The scale of this requirement will vary on a case-by-case basis and therefore cannot be quantified at this stage, but we expect the cost to be relatively small.

Administrative and familiarisation costs to intermediaries relating to passing on scheme benefits

39. The scheme will require any intermediaries to pass the benefits they receive from the policy through to the end user. This process will cause these intermediaries to incur administrative and familiarisation costs as they amend the prices charged to the end user. These costs have not been quantified due to the uncertainties involved at this stage.

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[10] As part of the 2018 Final Impact Assessment for the Default Tariff Cap, Ofgem launched a consultation to seek evidence to inform their consideration of these sorts of impacts on suppliers in the domestic market and received a number of cost estimates from suppliers. Please refer to the standard EBRS scheme impact assessment for more detailed information: https://www.legislation.gov.uk/ukia/2022/84/pdfs/ukia_20220084_en.pdf

[11] This is an estimate from recent stakeholder engagement. However, there is a high degree of uncertainty as we expect that sites will apply on behalf of their Non-Standard Cases/tenants and that these sites will have a range of tenants including some SMEs.

[12] This assumes that the additional FTE is an administrative role with an average cost of £21,000 (and therefore £10,500 over a 6-month period).

40. Enforcement of this pass through of benefits is mainly expected to occur through existing mechanisms, meaning that in any cases where benefit is not passed through correctly, the end user may look to recover debt through the courts. Such a scenario would pose administrative costs to both end users and intermediaries, and a cost to government via an increase to volumes of court cases. These costs have not been quantified at this stage.

7.1.2 Negative externalities of increased energy consumption – Carbon costs and air quality

41. Any intervention to reduce price rises and volatility would be expected to increase energy demand compared to the counterfactual, which would be expected to lead to costs to society from increased carbon emissions and worsening of air quality. This has already been considered across all non-domestic customers (including Non-Standard Cases) in the standard EBRS scheme impact assessment[13] and has not been estimated as a subset of this main scheme estimate.

7.2 Benefits

7.2.1 Avoided Firm Closures and Redundancies

42. If firms close, we would expect workers to be displaced and wages to follow a lower projected path than if the proposed intervention is in place. This lower wage path is based on 'The Losses of Displaced Workers' BEIS paper[14]. Therefore, a benefit of the scheme is that it keeps firms open and prevents large wage losses for displaced workers.

7.2.1 Inflation Impacts

43. At a macroeconomic level, by directly influencing the unit price of energy for non-domestic customers, this intervention could mitigate increases in inflation metrics (CPI, CPIH, RHI) when compared to the "do nothing" scenario. The bundle of composite inputs for businesses, of which energy is a component, will decrease. There will be a delay between input costs falling and lower prices for consumers appearing in National Statistics such as the CPI. This aligns with the potential inflationary impact of the standard EBRS scheme.

7.2.2 Retaining production and investment in the UK:

44. As the price of energy increases, investment, and output decreases, ECB research shows that corporate investment decisions are sensitive to the price of electricity. The EBRS NSC scheme will lower the price of electricity and gas compared to the counterfactual for up to six months.

7.2.3 Mitigate the rise in global emissions:

45. Similarly to the standard EBRS scheme, the EBRS for Non-Standard Cases reduces the competitive disadvantage faced by UK based companies caused by relatively higher industrial electricity prices. If UK production was to move to countries with lower climate change ambitions or a higher marginal emissions factor, global emissions would be higher than the policy scenario where production remains in the UK. This benefit is not quantified as global emissions are not currently accounted for in green book SNPV calculations.

7.3 Summary of analysis

46. The table below sets out the monetised elements of the analysis. The primary monetised impacts estimated cover:

    i. Cost of bill relief (transfer): estimate of up to £2-4bn as a maximum cost. This is a transfer to non-domestic consumers from HMG. This is already accounted for in the standard EBRS scheme cost estimate of £18.4bn. An equivalent benefit – less any deadweight loss impacts – should be

[13] https://www.legislation.gov.uk/ukia/2022/84/pdfs/ukia_20220084_en.pdf, page 13

[14] Page 97, BEIS Research Paper Number 6, 'The Losses of Displaced Workers', March 2017, prepared by Frontier Economics

accounted for the purposes of appraising net social impacts, including through avoided firm closures and redundancies.

ii. Administration and familiarisations costs to suppliers: unable to quantify due to significant uncertainty, but likely to be less than £2m.

8. Risks and uncertainties

8.1 Size of relief

47. The largest most significant source of uncertainty is the size of the overall relief. This represents a significant risk to the Exchequer. The uncertainty is driven by a number of things, including:

   i. **Future energy prices** – this is subject to global commodity price pressures. Costs are most sensitive to wholesale energy price expectations at the beginning of the scheme, from which date we expect a large portion of the market to enter a six-month fixed contract with a fixed level of subsidy based on forward market information at that point.

   ii. **Size of energy demand** – this can differ from year to year for a number of reasons, including differences in temperatures. We have included sensitivities to test the impact on our central range of differing energy demand, based on quarterly min and max consumption since 2002.

   iii. **The nature of existing contracts** – different types of energy contracts between energy providers and businesses will require different levels of relief. The cost estimate of £2bn assumes that Non-Standard Cases have the same split of contract types as EBRS standard cases, whilst the cost estimate of £4bn assumes that all Non-Standard Cases receive the maximum relief.

   iv. **Volume of electricity and gas consumption that is eligible and applies for support** – the cost of this intervention is sensitive to the proportion of electricity and gas consumption that can be considered a Non-Standard Cases, and the proportion of providers (and/or customers where required) that apply for the grant.

   v. **Demand response** – it is unclear whether the current conditions as well as this intervention will elicit a change in demand.

8.2 Energy Providers are unable to access the relief and pass on the benefits on time

48. There is a risk to the overall delivery of the scheme and for energy providers to be able to apply for the relief, make a claim and pass through the benefits to customers. There are several internal and external dependencies and risks to consider:

   i. The scheme needs to be able to cover bills from 1st October 2022. The scheme therefore needs to be designed in order to cover any customer bills from 1st October to assist businesses and other non-domestic users.
   ii. Internal delivery – The correct legislation needs to be passed and enforcement controls in place, all of which are required to be delivered on time to allow energy providers time to apply for relief and pass on the benefits.

   iii. External delivery – The delivery body will need to ensure they have the correct resourcing and technology available in order to facilitate the scheme, along with a comprehensive understanding of the legislation. Periodic reviews will need to be established to assess the development and delivery of the scheme.

   iv. Energy providers for Non-Standard Cases – applicants for relief themselves will need to fully understand the scheme and have the resources available in order to access the relief.

8.3 Fraud risks

49. The following current top five risks of fraud have been identified:

i. Energy providers could manipulate / falsify the volume of energy supplied to businesses- overestimating the amount of energy used and submitting figures to intermediaries. This could lead to providers fraudulently claiming for energy not used and the supplier receives payment from HMG for energy which was not provided to a customer.

ii. Business submitting false meter readings (over or underestimating) in order to obtain payments under the scheme to which they otherwise would not be entitled-this will result in businesses obtaining public funds to which they are not entitled.

iii. Due to the complexity of some energy supply chains, there is a risk that some businesses may receive duplicate funding or benefit from pass-through higher up the energy supply chain.

iv. Energy providers may not pass on the benefit of support scheme to business, despite the provider having claimed it- this results in the business not receiving the support it is entitled to.

v. There may be mandate fraud in the payment chain – bad actors could attempt to contact individuals in the scheme paying bodies to divert funds.

vi. Use of the scheme for phishing, smishing and ID fraud – bad actors could create fake communications purporting to be from the schemes in order to charge individuals for services that are free and/or obtain personal information to commit ID fraud.

8.4 Additionality

50. As the scheme is not targeted, there is a risk of deadweight and lack of additionality of benefits to those with higher energy consumption in particular. It is likely that many businesses receiving financial support in sectors that are less energy-intensive, less trade-exposed and less reliant on discretionary spending would not have been forced to close in the counterfactual do-nothing scenario. Furthermore, while we do hold some information about the ratio of fixed to variable tariffs across the whole economy, we do not have a clear picture of the split within different sectors.

8.5 Uncertainty around flex contract hedges

51. There is an uncertainty around the proportion of electricity and gas volume which falls under flex contracts, can be more open to wholesale price volatility. Further work with QEPs is being undertaken to better understand this portion of the market.

9. Small and Micro Business Assessment (SaMBA)

52. The scheme will provide support for certain non-domestic customers in Great Britain and Northern Ireland, regardless of their size. This is so that all businesses eligible for government-backed support are able to be supported by this policy.
53. It is likely that most unlicensed non-domestic energy suppliers are relatively small, and this regulation will ensure equal treatment regardless of size to ensure the full benefits and objectives of the scheme are achieved.

10. Public Sector Equality Duty

54. The scheme is a grant to unlicensed non-domestic energy suppliers (businesses), so there would be no basis for individual discrimination. If the proposed intervention is implemented, there will be no specific impact on any protected characteristics and thus no unlawful discrimination.

55. As the scheme will avert business failures and redundancies (in the do-nothing scenario) it could support equality of opportunity where it disproportionately retains the jobs of people with protected characteristics. Being employed is directly related to people's ability to participate in public life, and unemployment often has a disproportionate impact on the opportunities of minorities both in finding a job and achieving equal pay (scarring), underscoring the importance of maintaining employment for these groups.

56. The policy will also support the equality of opportunity for business owners in these sectors, but information on their characteristics, at sector level, is not available.

57. Our overall assessment is that we do not have any reason to believe that the scheme will have any differential impacts on individuals or groups with protected characteristics. We will look to gather further evidence and review this assessment as needed through the accompanying Monitoring and Evaluation plans.

11. Monitoring and Evaluation

58. We are planning to monitor and evaluate the Non-Standard Cases scheme alongside the standard EBRS scheme. More detail on our approach is provided in the standard EBRS scheme impact assessment. At a high level, we intend to monitor and evaluate the operational aspects, outcomes and impacts, and value for money of the EBRS for Non-Standard Cases.