



DIO Utilities Energy Prices FAQ Sheet (June 2022)

Why are energy prices increasing?

Wholesale prices for gas & electricity have reached an all-time high, with increased volatility. There are various factors behind this rise and whilst the impact is global, the UK is hit relatively harder because it is one of Europe's biggest users of natural gas. Approximately 85% of homes have gas central heating and gas also generates a third of the country's electricity. Gas storage capacity in the UK is also lower than many other countries throughout Europe.

How will this impact the MOD prices for gas and electricity?

The MOD procure the gas and electricity for the majority of homes on the MOD fuel portfolio¹ through a framework with Crown Commercial Services (CCS). CCS purchasing through a framework allows their members to buy gas and electric through the wholesale energy market. MOD therefore benefits from these preferential rates. These rates are often significantly lower than domestic rates as CCS have the ability to purchase energy years in advance with expert market knowledge. These preferential rates are subsequently passed onto Service families who receive the benefit of this purchasing strategy.

Why do the MOD procure via Crown Commercial Services (CCS)?

All government departments are required to procure energy supplies centrally through CCS so that the aggregated buying power can deliver better rates. Therefore, the majority of MOD's utility requirements are contracted via this route.

How do CCS procure the Ministry of Defence's energy?

Crown Commercial Services (CCS) forward purchase our UK mainland electricity and gas up to 30 months in advance. The MOD receives a monthly report which identifies the percentage future purchased and the average price. The energy price quoted is the basket average for the year based on what has been purchased and the current market conditions for the volume outstanding. CCS also provide reasons and context around the current market conditions. The benefits of having this market insight and purchasing strategy is passed through to the rates charged to Service families.

Who are my gas and electric suppliers?

If your energy is procured through CCS, your electricity will be with EDF Energy and your gas will be with Total Gas & Power (England, Wales & Scotland). For sites in Northern Ireland, your electricity will be with ESB and your gas with Firmus.

Can I change supplier?

No, if your supply is on contract through the CCS framework you will not be able to change supplier.

¹ ie those on the Fuel Subsidy Scheme and those that are billed via a 1571 voucher.

Will I still see a rise in my energy bill?

Whilst the MOD has been fortunate to mitigate some of this increase through the purchasing strategy of our framework providers, we have still experienced a considerable increase in overall energy costs received.

What if I am recharged by DIO Utilities through SFA accommodation?

DIO Utilities currently apply a reduced rate on SFA accommodation on energy consumption through the issuing of 1571 vouchers. With the recent increase in costs across the energy market, the tariffs which are applied are currently under review within DIO and a decision is expected in the upcoming months on the appropriate course of action. There will be communications issued to units and service families in advance of any changes being made.

How is the Fuel Subsidy Scheme price rise calculated?

If you are eligible for the Fuel Subsidy Scheme, the annual cost increase has been communicated through the Fuel & Light letter issued in early 2022 which applied a 41% increase in daily charges applicable from 1st April. This annual review bases its calculations from the utility element of the national CPI index published by the Office for National Statistics and looks at energy costs across the country as a whole. A link to the CPI index can be found below:

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/previousReleases>

The rates and methodology behind the annual reconciliation process has not changed but is currently under review by the DIO Utilities team.

Will I qualify for the £400 support package announced by the government?

The £400 [Energy Bill Support Scheme](#) as announced by the UK government in May 2022 is only applicable to households who are on a domestic energy contract and pay their bills direct to a civilian provider. As the MOD procure via the wholesale market, SFA that is a part of the portfolio is classed as commercial and therefore ineligible for the government support. However, families will not be financially disadvantaged. This is because the expected rise in the domestic energy price cap set by Ofgem for October 2022 will result in a projected typical household bill of £2,800 per year for gas and electric and equivalent bills for homes on the MOD fuel portfolio will be more than £400 below this cap. Therefore, although families on the MOD fuel portfolio will not benefit from the £400 government package, they will still benefit from the significantly cheaper wholesale rates.

If you are within SFA where you are responsible for arranging your own electricity or gas contract and for bill payments, please contact your supplier for further details surrounding this support package.

Am I subject to the expected price cap rise in October 2022?

The UK price cap which is administered by Ofgem only applies to the domestic market which the MOD is not subject to. Due to this the price cap is not applicable to the MOD fuel portfolio.

If you are within SFA and are responsible for your own supply and bill payments, please contact your supplier to confirm that the price cap is applicable to your meter.