



Department for
Energy Security
& Net Zero

Energy Bill Policy Statement

British Industry Supercharger - Network
Charging Compensation Scheme & EII
Support Levy

September 2023



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Summary

The Energy Bill was introduced into Parliament on 6 July 2022. This Bill will deliver a cleaner, more affordable and more secure energy system for the long term. It builds on the ambitious commitments in the British Energy Security Strategy to invest in homegrown energy and maintain the diversity and resilience of the UK's energy supply.

On 23rd February 2023, the Government announced the British Industry Supercharger: a decisive set of measures to make Britain's strategic Energy Intensive Industries (EIIs) more competitive and tackle the challenge of indirect carbon leakage. This will be achieved by addressing three areas of the domestic energy system. Together, these areas contribute to higher electricity costs for EIIs than comparable countries.

The Bill provides the Government with the powers to implement one of the measures set out in the British Industry Supercharger, specifically on providing relief on network charging costs. This will be achieved through the introduction of the Network Charging Compensation (NCC) Scheme, which will compensate eligible EIIs for a portion of their network charges. This will be funded via the introduction of the EII Support Levy on all licenced electricity suppliers in Great Britain.

Network Charging Compensation Scheme

This statement describes the objectives and policy intent of provisions that enable the Secretary of State to make regulations establishing the new NCC Scheme and the appointment and functions of an administrator.

The Government anticipates public engagement on the detailed NCC Scheme design through a public consultation, aiming to launch in June 2023. The details of the new levy mechanism are to be set out in secondary legislation.

Policy Design and Objectives

The provisions in the Energy Bill will not introduce this NCC Scheme; they will only enable Government to introduce the Scheme later through secondary legislation. The Scheme will aim to provide EII with compensation on their network charging costs in arrears, with the funds being raised by the EII Support Levy. Subject to consultation, this will include a percentage of all Transmission Network Use of System (TNUoS), Distribution Use of System (DUoS) and Balancing Services Use of System (BSUoS) costs.

In June 2023, the Government published a public consultation on the NCC Scheme, in order to gather views from stakeholders on the final design for the scope, design and administration of the levy. This consultation will conclude in August 2023.

Compensation will be paid on a percentage of all costs incurred through usage of the electricity network in Great Britain. The NCC Scheme will not offer compensation on any network costs incurred from the Northern Irish electricity network. Northern Ireland operates within the Single Electricity Market and energy policy remains devolved to the Northern Irish Government.

Though subject to responses we receive from the industry during the consultation period, the Government is, presently, not minded to offer compensation on any cost incurred through use of a private wire network¹, except where it can be evidenced that costs for using the established electricity network are passed through to private wire operators. Nor is the Government minded to compensate the infrastructure costs of establishing new connections to the electricity network.

The NCC Scheme administrator will carry out functions such as the collection of network charging costs and the payment of compensation. An initial decision on who should serve as the administrator is not likely to be taken until later this year. In advance of the appointment, the Government plans to conduct internal assessments relating to their experience, capacity and resource. This is to determine their suitability for this role. We do not intend for decisions on the appointment of the administrator to be subject to consultation.

¹ Local electricity grids linked to privately-owned general plants that produce electricity.

EII Support Levy

This statement describes the objectives and policy intent of provisions that enable the Secretary of State to make regulations establishing the new EII Support Levy and the appointment and functions of a levy administrator.

The Government anticipates public engagement on detailed levy design through the public consultation, launched in June 2023 and the details of the new levy mechanism are to be set out in secondary legislation.

Policy Design and Objectives

In line with the other measures in the British Industry Supercharger package, the NCC Scheme will be funded via a redistribution of costs across other electricity bill payers. The provisions in the Energy Bill will not introduce this levy; they will only enable the Government to introduce the levy later, through secondary legislation. The levy is expected to operate akin to existing levies funded via supplier obligations, with suppliers passing on the costs to their domestic and non-domestic customers. The British Industry Supercharger, of which the levy is an element, expects to add between £3 and £5 to the average household yearly bill; and increase electricity costs for non-domestic consumers by £1/MWh once all measures have been implemented (by 2025/26).

Similar approaches have been used to support the deployment of low carbon electricity through Contracts for Difference and, in the gas sector, through the Green Gas Support Scheme via the Green Gas Levy. The Government does not intend to prescribe how suppliers pass these costs of the EII Support Levy through to their customers.

In June 2023, the Government published a public consultation on the EII Support Levy to gather views from stakeholders on the final design for the scope, design and administration of the levy. This consultation will conclude in late August 2023.

It is intended the EII Support Levy will be applied to all licenced electricity suppliers in Great Britain. Licenced electricity suppliers exclusive to Northern Ireland, and by extension, their customers, will be excluded from the levy on the basis that Northern Ireland will not benefit from the NCC Scheme. Though subject to the responses we receive from the industry during the consultation period, the Government is, presently, not minded to extend the levy onto non-licenced electricity suppliers. Nor is the Government minded to extend the levy onto licenced or non-licenced gas suppliers.

The levy administrator will carry out functions such as the calculation and collection of levy payments. An initial decision on who should serve as the levy administrator is not likely to be taken until later this year. Prior to the appointment of the levy administrator, the Government plans to conduct internal assessments relating to their experience, capacity and resource, in

order to determine their suitability for this role. We do not intend for decisions on the appointment of the administrator to be subject to consultation.

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