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How to Understand Your Business Energy Bills

The Breakdown



What Makes Up Your Business Energy Bill?

When you receive your bill, you're not just paying for the gas or electricity you've used. Your bill also includes a range of additional charges that contribute towards keeping the UK's energy system running.

These charges can be divided into two main categories: commodity costs and non-commodity costs.

Commodity Costs
Commodity costs refer to the wholesale cost of the gas or electricity your business uses.

These costs are influenced by wholesale market prices, which fluctuate depending on factors such as supply and demand, global events and fuel availability.

Non-Commodity Costs
Non-commodity costs cover the additional expenses associated with supplying energy to your business.

These include the costs of maintaining and upgrading energy networks, balancing electricity supply and demand and covering certain industry charges and taxes.

Understanding Electricity Bills

What Makes Up Your Electricity Costs?

Your business electricity bill includes more than just the electricity you use. Network charges, government levies and other industry costs also contribute towards the total amount you pay, as illustrated below.

Wholesale Electricity	42%
DUoS	13%
RO (Renewables Obligation)	12%
TNUoS	7%
BSUoS	6%
CM (Capacity Market)	6%
CfD (Contracts for Difference)	5%
Other Charges	9%

Illustrative electricity cost breakdown. Actual proportions vary depending on supplier, contract and consumption.



Why Does This Matter?

Non-commodity charges can make up a significant proportion of business electricity costs, meaning wholesale price reductions don't always result in equivalent savings.

Understanding how these charges contribute to your bill can help you make more informed decisions when reviewing your electricity contract and comparing prices from different suppliers.

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Understanding Gas Bills

What Makes Up Your Gas Costs?

Your business gas costs include more than just the gas you consume. Network charges, supplier operating costs and other industry expenses also contribute towards the overall cost of your gas supply, as illustrated below.

Unlike the electricity breakdown, gas costs are grouped into fewer categories, with wholesale gas accounting for the largest proportion.

Wholesale Gas	53%
Operating Costs	18%
Network Costs	17%
Third-Party Costs	13%

Illustrative gas cost breakdown with rounded figures. Actual proportions vary depending on supplier, contract and consumption.



Why Does This Matter?

While wholesale gas prices make up a significant proportion of business gas costs, network charges and other expenses also contribute to the amount businesses pay.

Understanding these costs can help you make more informed decisions when reviewing your gas contract, comparing supplier prices and identifying opportunities to manage your energy expenditure.

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Energy Charges Glossary

General Energy Charges

Wholesale Energy
The cost of purchasing gas or electricity from the wholesale market before it is supplied to your business.

Unit Rate
The amount you pay for each kilowatt-hour (kWh) of gas or electricity consumed.

Standing Charge
A fixed daily charge that contributes towards the costs of maintaining your energy supply, regardless of how much energy you use.

Network Costs
Charges associated with transporting gas or electricity through the networks that deliver energy to your premises.

Operating Costs
Costs incurred by suppliers for activities such as billing, metering, customer service and administration.

Third-Party Costs
Additional costs associated with supplying energy, including certain industry charges and levies.



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Energy Charges Glossary

Electricity-Specific Charges

DUoS – Distribution Use of System
Charges for using and maintaining the local electricity distribution network.

TNUoS – Transmission Network Use of System
Charges associated with operating and maintaining the high-voltage electricity transmission network.

BSUoS – Balancing Services Use of System
Charges associated with balancing electricity supply and demand across the transmission system.

RO – Renewables Obligation
A government scheme requiring electricity suppliers to support renewable electricity generation.

CM – Capacity Market
A scheme designed to help ensure sufficient electricity generation capacity is available when needed.

CfD – Contracts for Difference
A government scheme supporting low-carbon electricity generation by providing greater price certainty to eligible generators.



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How to Read Your Energy Bill

Key Information to Look For

Business energy bills can seem complicated, but they generally follow a similar format. Here are six key areas to check so you can ensure you're being charged correctly and understand what you're paying for.

1 Billing Period

Check the dates the bill covers to make sure you're being charged for the correct period. Look out for any overlap or unexpected gaps, which could indicate an error.

2 Unit Rate

This is the price you pay per kilowatt-hour (kWh) of gas or electricity used. Check that the unit rate matches your agreed contract rate. Out-of-contract rates can be higher, so it's worth checking when your contract ends.

3 Standing Charge

A fixed daily charge that contributes towards the costs of maintaining your energy supply, regardless of how much energy you use. Check that the standing charge matches your contract and hasn't increased unexpectedly.

4 Meter Readings

Check whether the bill is based on actual or estimated readings. Estimated readings may not accurately reflect your consumption, so it's worth submitting an up-to-date reading if needed.

5 VAT and CCL

20% VAT on energy bills is standard, though some supplies qualify for a reduced rate of 5%. The Climate Change Levy (CCL) also applies to many businesses, with exemptions or reductions available for eligible businesses.

6 Contract Details

Check your contract end date to ensure you're aware of when your agreement expires. If you're out of contract, you could be paying much higher rates than those available through a new agreement.

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