

# Commercial Electricity Contract Cost Breakdown

V1 – February 2020

## Component Costs of a Commercial Electricity Supply Contract

Commercial electricity supply contract costs are made up of several different charges and elements. Below is a breakdown explaining these different components:

- 👉 **Standing Charge** – A fixed amount paid every day you are connected to an electricity network. Standing charges are used to cover costs like maintenance and the cost of keeping you connected to the network.
- 👉 **Metering Charges** – A fixed monthly charge, used to cover meter reading costs.
- 👉 **Capacity Charge** – A fixed daily charge paid to cover the cost of securing the capacity needed to meet your peak energy demand. It is charged even if you do not use your peak energy demand that day.
- 👉 **Day Units** – The rate at which you are charged for using electricity during the day (excluding night-time).
- 👉 **Night Units** – The rate at which you are charged for using electricity at night.
- 👉 **Climate Change Levy (CCL)** – A tax on energy paid by non-domestic consumers in the UK with the goal of reducing carbon emissions and increasing energy efficiency.

## Fixed vs Unfixed Costs

Standing, Metering and Capacity Charges are **fixed costs**, which means they are not affected by how much energy is consumed (although Capacity Charges are determined by peak demand).

Day Units, Night Units and the CCL are **not fixed** costs and will therefore vary depending on the level of energy consumption.

## Do you know the Important Organisations in the Commercial and Domestic Electrical Industry?

- 👉 **Ofgem** - The Office of Gas and Electricity Markets is the government regulator for the electricity markets in Great Britain.  
<https://www.ofgem.gov.uk>
- 👉 **Lloyd's Register** – Operates the National Electricity Registration Scheme (NERS) which allows organisations to be ICPs.  
<http://www.lr.org/en/>
- 👉 **Energy Networks Association (ENA)** – The industry body of UK gas and electricity transmission and distribution licence holders.  
<http://www.energynetworks.org/>
- 👉 **Department for Business, Energy & Industrial Strategy** – The government department which oversees the electrical industry.  
<https://www.gov.uk/government/organisations/>
- 👉 **Energy Suppliers** – The companies that supply energy to customers. The big six energy suppliers are British Gas, EON, EDF Energy, Npower, Scottish Power and SSE.



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