



Feedback on the Temporary Business Energy Support Scheme (TBESS)

(Businesses on market tracking tariffs or fixed contracts and the energy cost threshold)

16 January 2023

Member feedback indicates that the requirement for businesses to experience at least a 50% increase in their energy costs when compared to the reference period, to qualify for the TBESS, is proving to be problematic for many high energy users.

Many of these businesses are on market tracking tariffs or entered fixed contracts for their energy supplies in mid-2021 onwards as prices started to increase and therefore, some of the energy crisis has been priced into their base AuP rate (Average Unit Price) for their 2021 energy bills. Difficulties in meeting the “energy cost threshold” in the legislation is restricting their ability to access the TBESS.

The Institute received some suggestions on ways to make the scheme more accessible to these businesses. For example:

1. Reduce the energy cost threshold from 50% to 30%
2. Extend the application of the SEAI deemed reference rates

We provide some feedback on these suggestions and their likely effectiveness below.

Suggestion 1: Reduce the energy cost threshold from 50% to 30%

The feedback we received would suggest that a reduction in the energy cost threshold from 50% to 30% is unlikely to assist businesses on market tracking tariffs or indeed businesses that contracted in late 2021. This is best illustrated by way of an example (see analysis in the tables below).

Note: The constituent components of a market tracking bill are:

- a) *Cost of Energy*: The pure energy component of a bill which moves hourly depending on gas prices and the quantum of renewable generation on the grid.
- b) *Regulated Charges*: Charges approved annually by the CRU for services provided by ESBN, Eirgrid and the Market Operator.
- c) *Supplier Margin*: The margin will vary between suppliers. An estimate is included below.

For the purposes of the example, elements b) and c) remain constant.

As illustrated by the tables below, for the first four months of the scheme a 30% energy cost test would not be met.

Period/Cost	Sept 21	Sept 22	Difference
Energy Only	22.25c	31.28c	
Regulated Charges (Transmission, distribution, market operator) & Supplier Margin	11c	11c	
Total AuP	33.25c	42.28c	27%

Period/Cost	Oct 21	Oct 22	Difference
Energy Only	23.8c	14.62c	
Regulated Charges (Transmission, distribution, market operator) & Supplier Margin	11c	11c	
Total AuP	34.8c	25.62c	-26%

Period/Cost	Nov 21	Nov 22	Difference
Energy Only	23.8c	15.37c	
Regulated Charges (Transmission, distribution, market operator) & Supplier Margin	11c	11c	
Total AuP	33.8c	26.37c	-21%

Period/Cost	Dec 21	Dec 22	Difference
Energy Only	28.16c	29.77c	
Regulated Charges (Transmission, distribution, market operator) & Supplier Margin	11c	11c	
Total AuP	39.16c	40.77c	4%

Source: These tables have been provided to the Irish Tax Institute by an energy provider.

Suggestion 2: Extend the application of the SEAI deemed reference rates

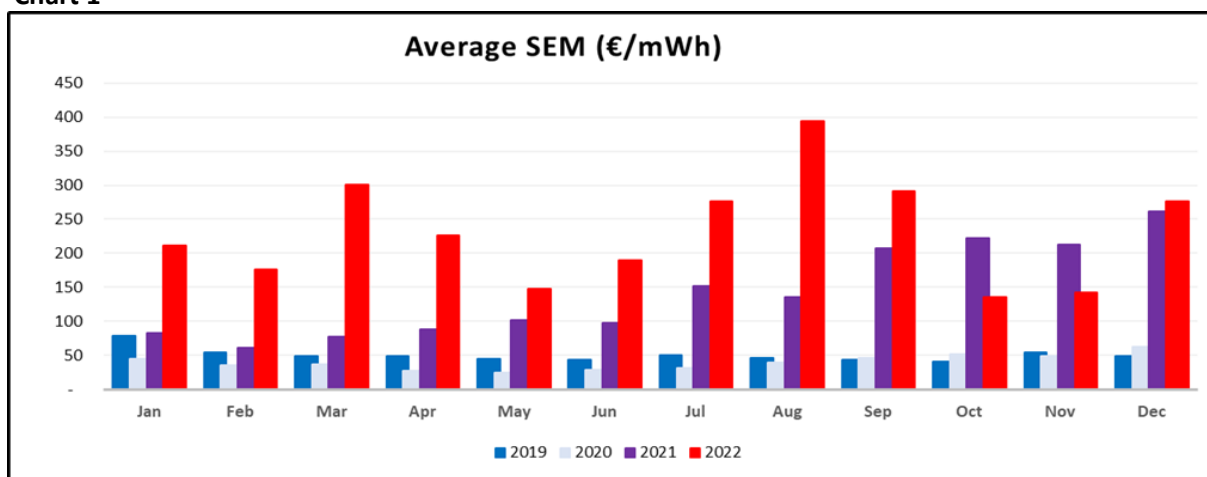
The feedback we have received would suggest that extending the use of the SEAI reference rates that are currently only available to new businesses/new connections could be of assistance to such businesses on market tracking tariffs or on fixed contracts.

For September and December, using the SEAI reference rates would help, even when applying the 50% energy cost threshold. However, October and November would be marginal but lowering the threshold in tandem with using the SEAI reference rates, for example to 30%, would be of assistance to these businesses.

Feedback received noted that at the time when reference rates were being calculated, it would have been preferable if the reference period used was 2019. This was the most recent period when energy markets were running in an orderly fashion (i.e., without the pandemic and the weaponization of gas in the lead up and during the war). Chart 1 below illustrates the movement in energy only rates in the wholesale market (i.e. the Single Electricity Market (SEM)) from 2019 to 2022).

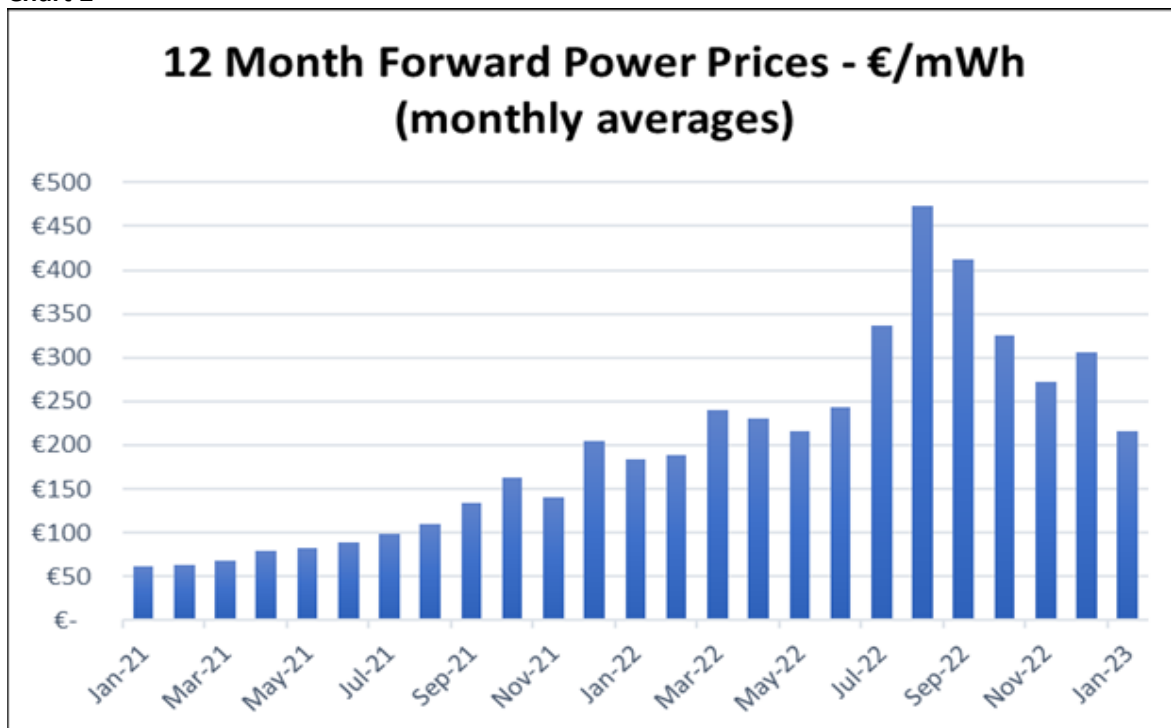
However, using reference rates from H1 2021 would further help. Chart 2 below, shows the 12-month forward power price from January 2021 to date. As illustrated, the forward prices in early 2021 were more “normal”.

Chart 1



Source: This chart has been supplied to the Irish Tax Institute by an energy provider.

Chart 2



Source: This chart has been supplied to the Irish Tax Institute by an energy provider.