



Rt. Hon. Jacob Rees-Mogg M.P.
Secretary of State for Business, Energy and Industrial Strategy
1 Victoria Street London
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Darren Jones Esq. MP
Chairman of the Business, Energy and Industrial Strategy Committee
House of Commons
London
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22 September 2022

Dear Darren,

Contingent Liability Notification: Energy Price Guarantee (EPG)

Please see attached a copy of the Departmental Minute outlining the Contingent Liabilities associated with the Energy Price Guarantee (EPG) for households. I regret that because of the urgency of establishing this scheme before 1st October, I have not been able to follow the usual timelines for issuing notice at least 14 parliamentary sitting days before the liability begins to be incurred.

The EPG will start on 1 October 2022, ensuring that energy bills for households across the UK are more affordable for the next two years.

Cost projections for the delivery of the EPG are uncertain as they depend upon both household usage levels (which are highly dependent on weather patterns) and the wholesale price of energy in 2023. As a result, entering into contracts to give effect to the EPG will give rise to an uncapped contingent liability.

The Treasury has approved spending for proposal in principle. I will continue to update Parliament on this scheme.

With every good wish,



**DEPARTMENTAL MINUTE FROM THE DEPARTMENT FOR BUSINESS, ENERGY
AND INDUSTRIAL STRATEGY CONTINGENT LIABILITY NOTIFICATION:
ENERGY PRICE GUARANTEE (EPG)**

22nd September 2022

The Government has set out decisive action to support people and businesses with soaring energy prices. The Government is moving immediately to introduce a new Energy Price Guarantee (EPG) that will give households certainty on their energy bills over the next two years.

The Energy Price Guarantee (EPG) will ensure that energy bills for households across the UK are more affordable for the next two years. The EPG reduced tariff is automatic and applies to all households on standard variable and fixed rate energy tariffs across the UK. In Great Britain, the typical household will pay around £2,500 a year for their energy bill from 1 October 2022, instead of the £3,450 originally projected under Ofgem's price cap.

Households in Northern Ireland will see equivalent benefits on their energy bills. The EPG is in addition to the £400 energy bills discount for all households from the Energy Bill Support Scheme announced earlier this year.

Energy suppliers in both Great Britain and Northern Ireland will be entering into contracts with Government where they agree to pass on the reduced tariffs to consumers, with Government agreeing in these contracts to cover the discount that is passed on to consumers.

Cost projections for the delivery of the EPG are uncertain as they depend upon both household usage levels (which are highly dependent on weather patterns) and the wholesale price of energy in 2023. As a result, entering into contracts to give effect to the EPG will give rise to an uncapped contingent liability.

It is normal practice, when a government department proposes to undertake a contingent liability in excess of £300,000 for which there is no specific statutory authority, for the Minister concerned to present a departmental Minute to Parliament giving particulars of the liability created and explaining the circumstances; and to refrain from incurring the liability until fourteen parliamentary sitting days after the issue of the Minute, except in cases of special urgency.

I regret that because of the urgency of establishing this scheme before 1st October, I have not been able to follow the usual timelines for issuing notice at least 14 parliamentary sitting days before the liability begins to be incurred.

The Treasury has approved the scheme in principle. I will continue to update Parliament on this scheme.

**RT.HON JACOB REES-MOGG
SECRETARY OF STATE**