

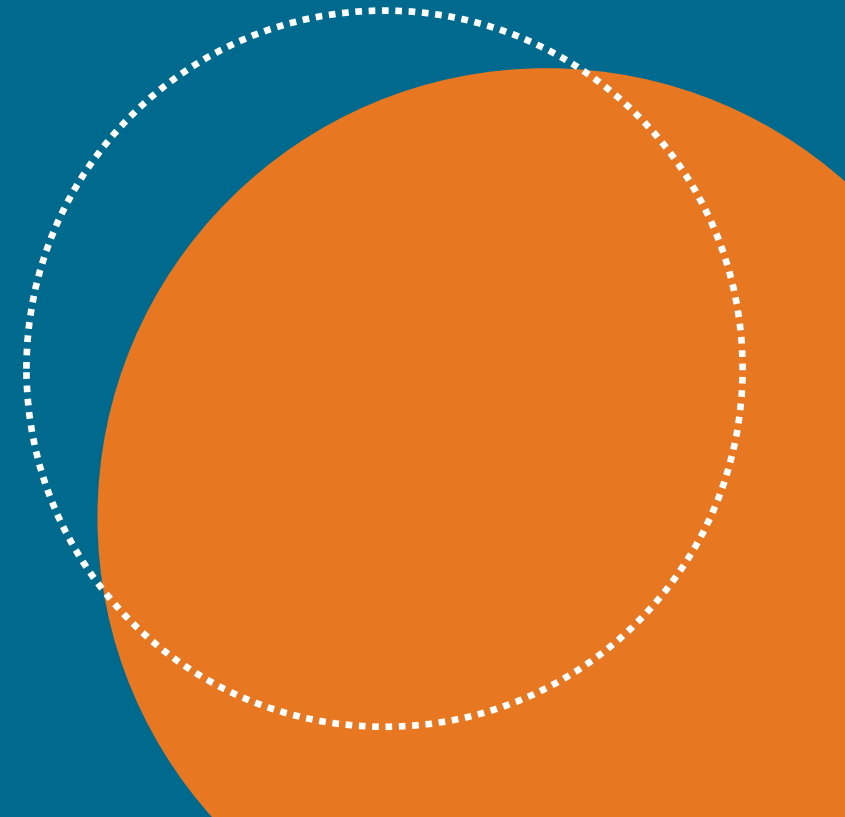
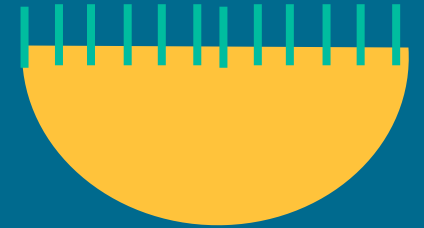


BUSINESS ELECTRICITY COSTS

Non-energy Cost Outlook

High-level trends in delivered electricity costs

October 2026 · Prepared by Ginger Energy





AT A GLANCE

Non-energy costs are rising every year

c.28.9p

per kWh: average delivered cost in 2026/27, before supplier costs, CCL and VAT

49%

of the 2026/27 cost is non-energy, currently forecast to reach 66% by 2028/29

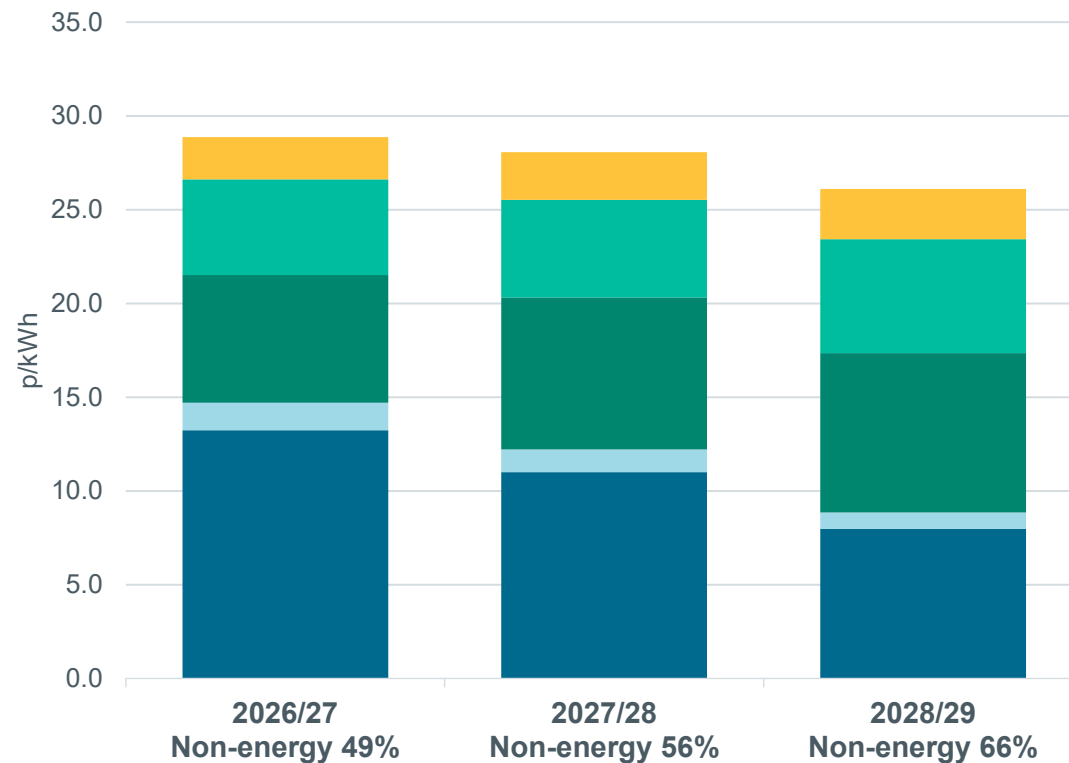
+22%

forecast rise in average non-energy costs, 2026/27 to 2028/29

- **Wholesale prices remain high this winter.** Conflict in the Middle East and low European gas storage have kept gas and power prices elevated. Forward prices currently point lower from 2027/28.
- **Non-energy costs look set to rise every year to 2028/29.** Transmission and balancing charges, and support for new low-carbon generation, drive most of the increase.
- **2026/27 non-energy costs have eased slightly since April.** High wholesale prices reduce the cost of supporting low-carbon generators, but forecasts for later years have moved up.

TOTAL COST OUTLOOK

The mix is shifting from wholesale to non-energy costs



- Other policy & system costs**
Security of supply, new nuclear and smaller schemes.
- Low-carbon levies**
Government schemes that pay for renewable and low-carbon generation.
- Networks & balancing**
The grids that carry power to you, and keeping the system balanced.
- Losses**
Energy lost on the way to your meter, charged as a share of the energy cost.
- Wholesale energy**
The cost of the electricity itself, bought on the wholesale market.

▼ **c.40%**

Wholesale energy and losses, 2026/27 to 2028/29, on current forecasts

▲ **c.22%**

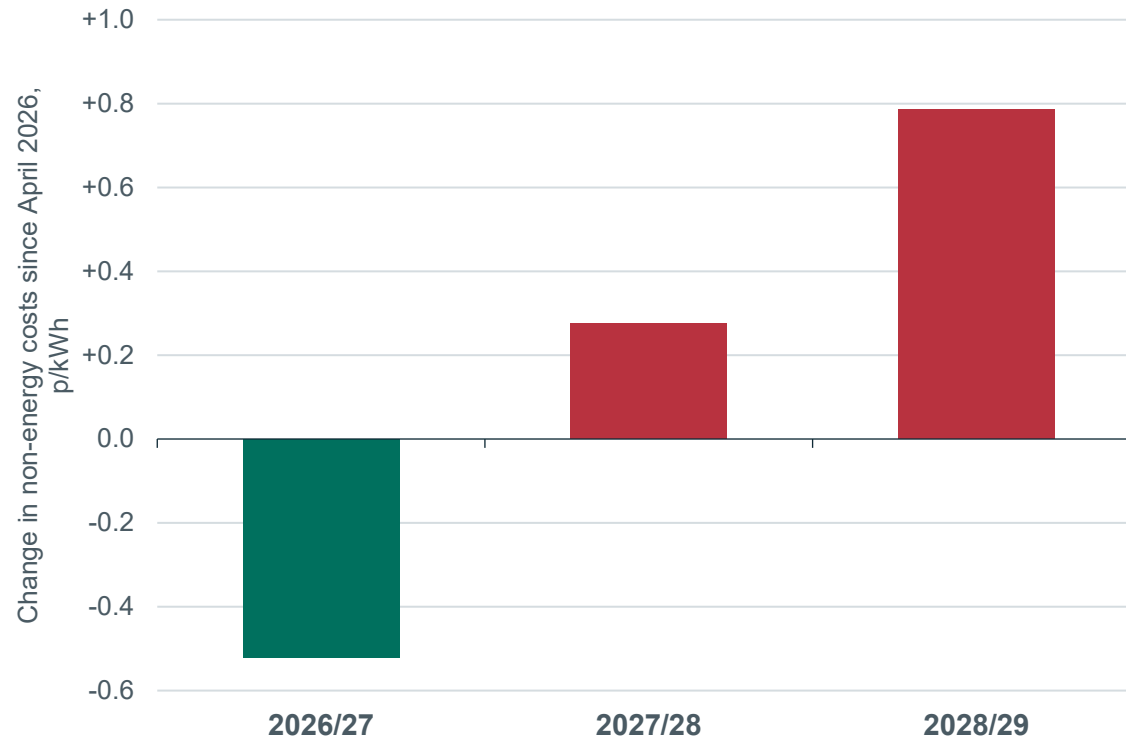
Non-energy costs, 2026/27 to 2028/29, on current forecasts

● For customers, this means: rising non-energy costs offset much of the fall in wholesale prices, so budget on total cost.



WHAT'S CHANGED SINCE APRIL

Non-energy forecasts eased for 2026/27 but rose for later years



2026/27: down around 0.5p/kWh

Higher wholesale prices reduce expected payments to low-carbon generators under Contracts for Difference (CfD).

2027/28: up around 0.3p/kWh

Expected recovery of this year's balancing cost shortfall, partly offset by lower CfD costs.

2028/29: up around 0.8p/kWh

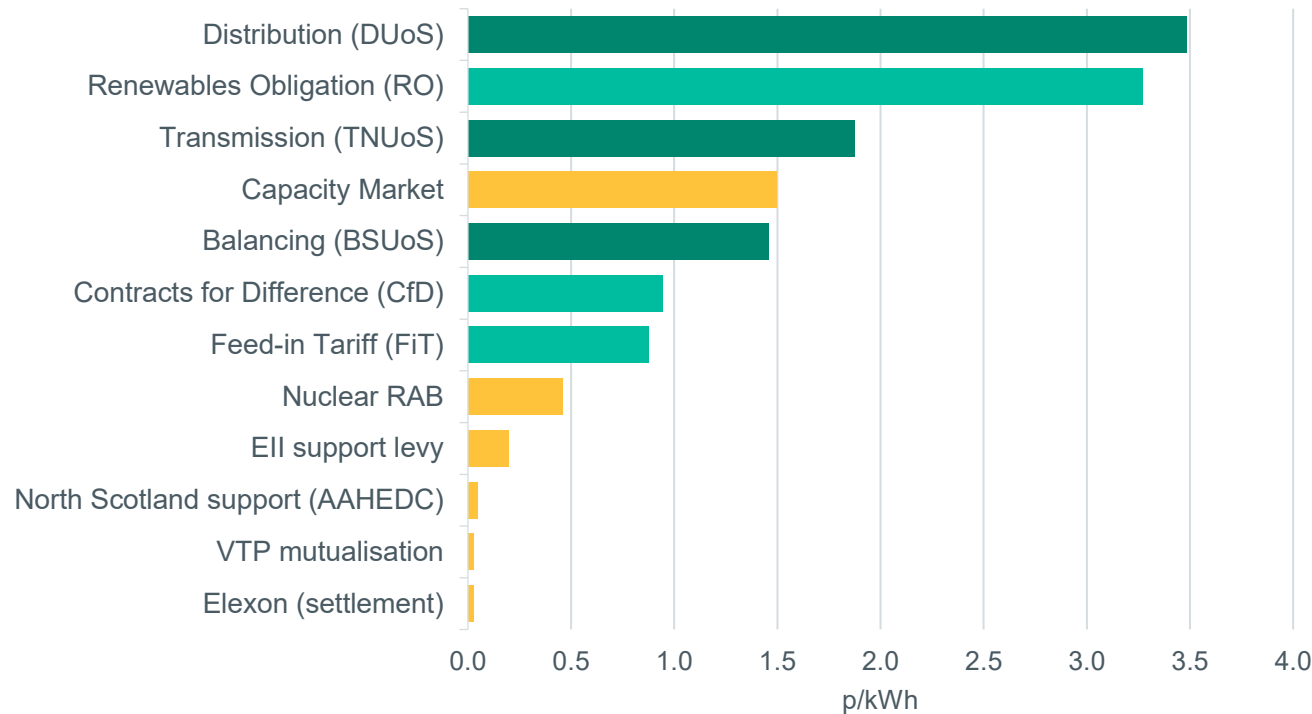
Higher transmission charges, levies and new Virtual Trading Party (VTP) costs.

New in this edition: two small new costs, VTP mutualisation and the Bill Discount Scheme.

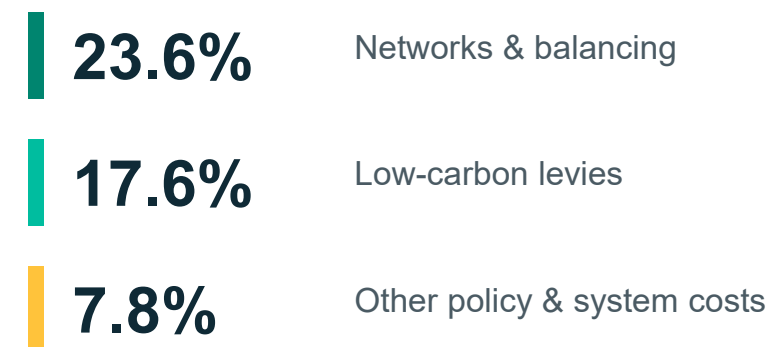
For customers, this means: 2026/27 non-energy costs are slightly below April's view, but later years currently look higher.

2026/27 BREAKDOWN

Network charges and renewables support are the biggest costs



Share of the average 2026/27 delivered cost

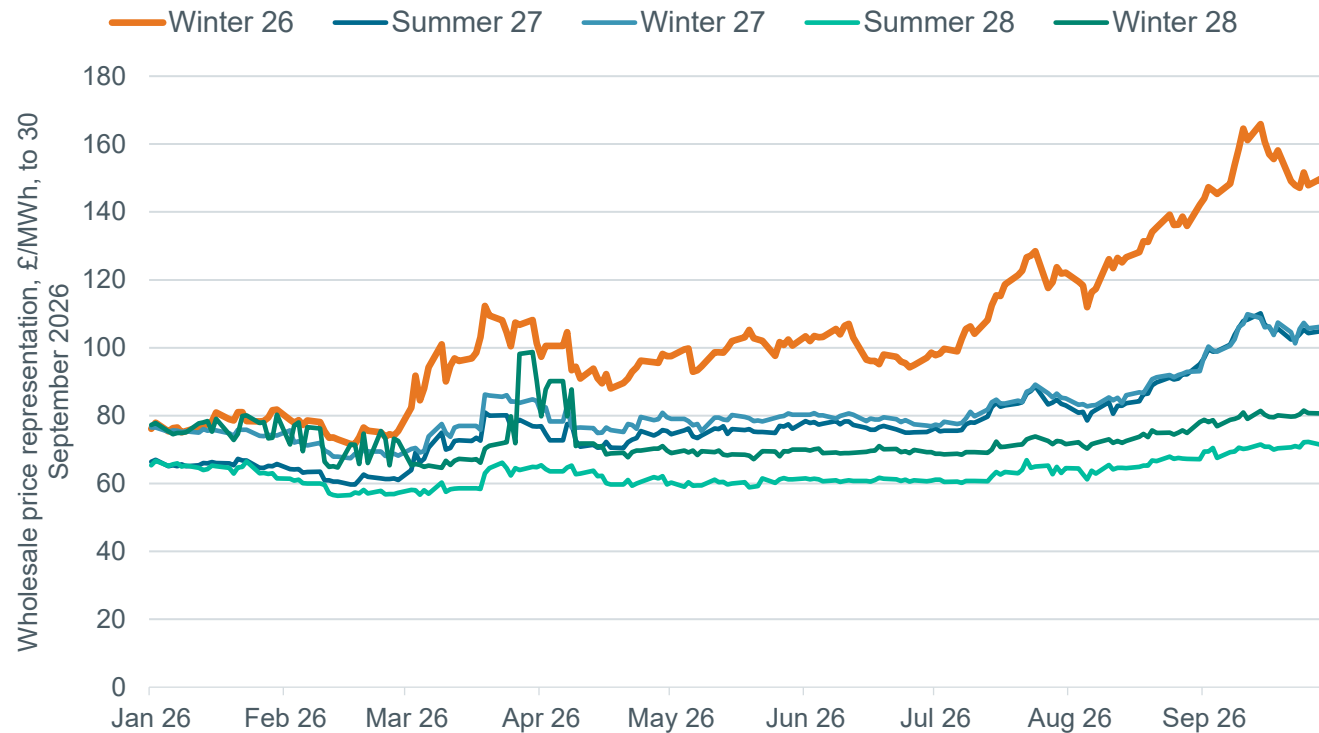


Non-energy in total: **49.1%**

● Distribution charges and the Renewables Obligation together make up almost half of non-energy costs.

MARKET BACKDROP

Forward prices point to a high winter, easing from 2028



- Conflict in the Middle East and disruption to shipping through the Strait of Hormuz have kept gas and power prices high since March, with record summer heat adding to volatility.
- European gas storage was just over 70% full at the end of September, well below normal for the time of year. That leaves the market exposed to a cold winter or further supply problems.
- Winter 26 finished trading at close to double its level at the end of February.
- Forward prices currently fall back from 2028, but remain sensitive to the Middle East and how quickly storage can be refilled next summer.

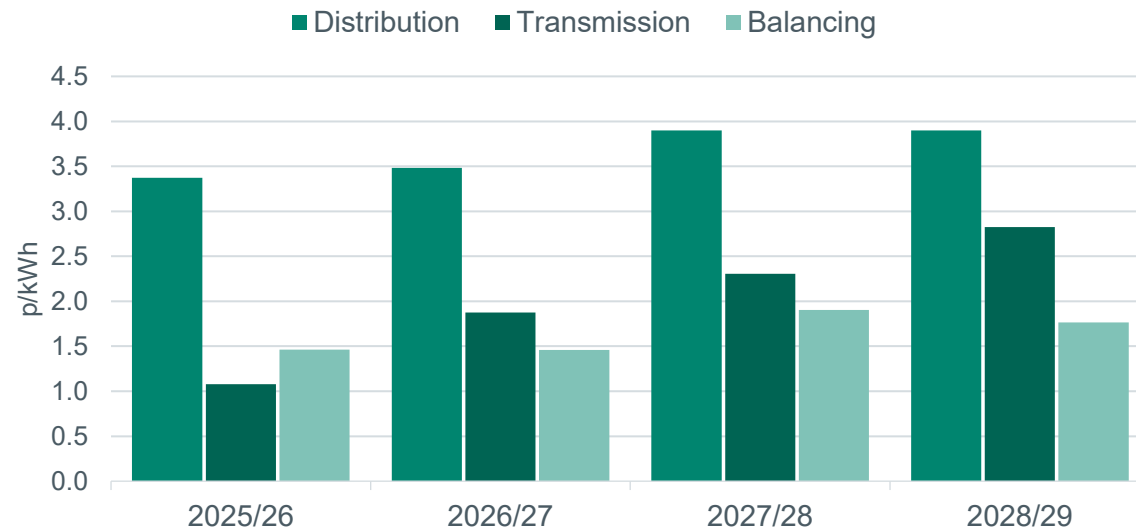
Our separate commodity reports cover the wholesale market in detail.

Transmission charges look set to climb c.50% by 2028/29

23.6%

of the average 2026/27 delivered cost

Distribution 12.1% · Transmission 6.5% · Balancing 5.0%



Distribution charges (DUoS)

The cost of the local networks that bring power to your site.

Up around 12% in 2027/28. Much of DUoS is charged as fixed daily amounts, so standing charges rise for most customers, and for some sites significantly. 2028/29 is held flat until the next price control is set, which is likely to add to costs.

Transmission charges (TNUoS)

The cost of the national high-voltage grid.

Up around 75% in April 2026 under a new price control. Early forecasts suggest a further rise of over 20% from April 2027.

Balancing charges (BSUoS)

The cost of keeping supply and demand matched.

High gas prices have pushed balancing costs above what this year's tariffs recover. Recovery is currently expected from April 2027, which would lift charges by around 30% in 2027/28.

For customers, this means: standing charges for many sites look set to rise faster than unit rates, mainly due to rising network costs.



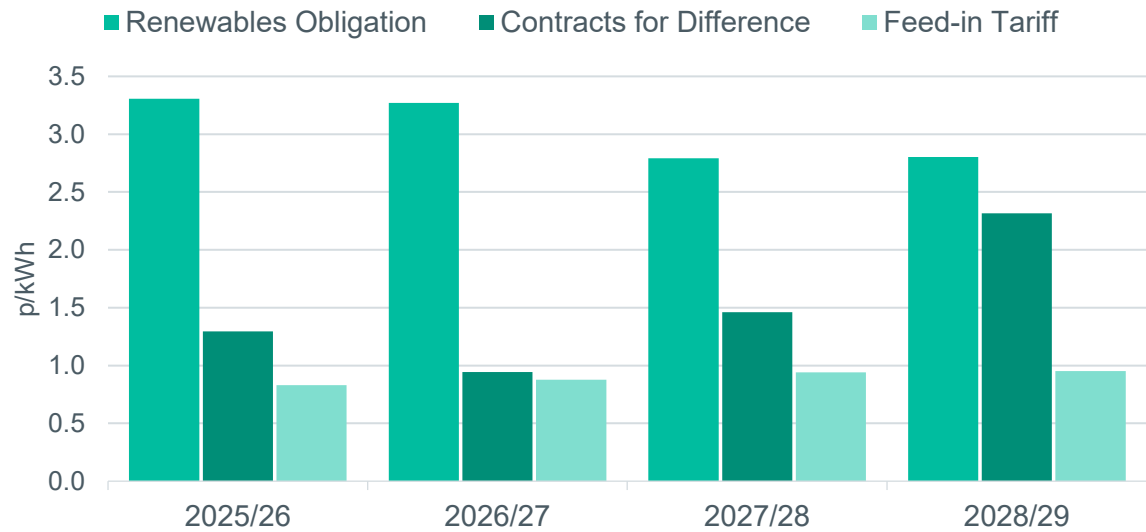
LOW-CARBON LEVIES

Levies dip in 2026/27, with CfD costs set to grow

17.6%

of the average 2026/27 delivered cost

Renewables Obligation 11.3% · Contracts for Difference 3.3% · Feed-in Tariff 3.0%



Renewables Obligation (RO)

Legacy support for large renewable generators.

Currently forecast to fall by around 15% in 2027/28 as large biomass plants move to new support arrangements. A switch to lower CPI inflation also trims future rises.

Contracts for Difference (CfD)

The main support scheme for new low-carbon generation.

Lower this year because high wholesale prices reduce top-up payments to generators, and could ease slightly further if prices stay high. Currently forecast to more than double by 2028/29 as new projects start generating.

Feed-in Tariff (FiT)

Legacy support for small-scale renewables.

Forecast to rise by just under 10% by 2028/29, partly because the new British Industrial Competitiveness Scheme (BICS) exempts eligible manufacturers from 2027, spreading costs over fewer customers.

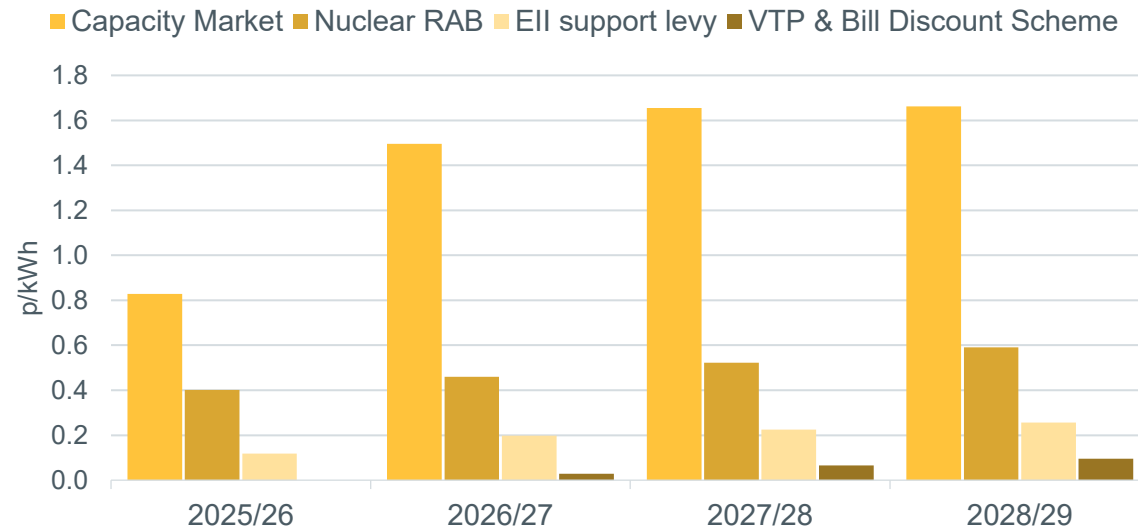
For customers, this means: check whether any of your sites could qualify for BICS or Energy Intensive Industries (EII) relief.

Capacity Market costs nearly doubled, with new levies arriving

7.8%

of the average 2026/27 delivered cost

Capacity Market 5.2% · Nuclear RAB 1.6% · EII support levy 0.7%
· VTP & Bill Discount Scheme 0.1% · smaller items 0.3%



Capacity Market

Pays providers to be available when demand peaks.

Up around 80% in 2026/27, and currently forecast to stay broadly flat.

Nuclear RAB

Funds construction of the Sizewell C nuclear power station.

Charged since December 2025; forecast to rise by over a quarter by 2028/29.

EII support levy

Funds network-cost relief for Energy Intensive Industries.

Small, but rising as relief increased to 90% from April 2026.

New: VTP mutualisation and Bill Discount Scheme

Currently forecast to reach around 0.1p/kWh together by 2028/29. They compensate suppliers for Virtual Trading Party activity and fund discounts for households near new power lines.

For customers, this means: individually these costs are small, but together they are approaching a tenth of the delivered cost.

What could move non-energy costs in the coming months

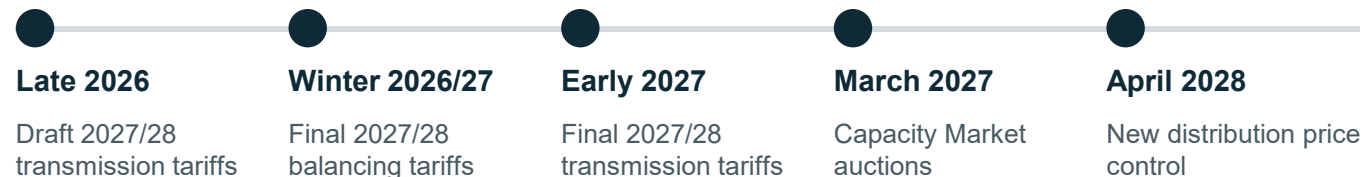
Upward pressure

- Transmission investment and new grid connections
- Balancing cost shortfall and rising grid constraint costs
- BICS exemption narrowing the base paying for levies
- Next distribution price control from April 2028

Downward pressure

- Sustained high wholesale prices reducing CfD costs
- Ofgem review of how fixed network costs are shared
- Government reforms to cut grid constraint costs
- Government focus on energy affordability

Key dates (expected)



In other news: half-hourly settlement

Every meter is moving to half-hourly settlement (MHHS), with suppliers migrating customers at different times. Costs will increasingly reflect when you use energy, and half-hourly sites may start paying settlement correction charges.

Unsure how half-hourly settlement or any of these changes affect you? Get in touch with your Ginger contact.

What this means for your budgets and contracts

1

Budget on total cost, not wholesale

Non-energy is now around half of the delivered cost and is currently forecast to rise every year. Falling wholesale prices won't mean renewal prices fall at the same rate.

2

Plan for another step up in April 2027

Higher transmission and balancing charges are expected from April 2027. Check when pass-through costs change under your supply contract.

3

Review your charging bands

Network charges depend on each site's band. Sites near a threshold, or with capacity they no longer need, are worth reviewing.

4

Check eligibility for relief

Energy Intensive Industries (EII) relief, BICS and Climate Change Agreements can significantly reduce costs for businesses that qualify.

● Ginger can review your sites, contracts and eligibility. Speak to your account manager.



SUMMARY

Non-energy costs are set to make up over half of the delivered price and are forecast to rise every year.

They belong at the centre of every energy budget.



ABOUT THIS REPORT

How this outlook is built

- This outlook is a market benchmark for a typical business, not a forecast of any individual client's costs.
- Figures are average costs in p/kWh excluding the Climate Change Levy, VAT and supplier costs. Actual costs vary by meter type, location, connection and consumption.
- Costs per kWh include fixed and standing charges spread across consumption. Percentages may not sum due to rounding.
- Built from Ginger Energy analysis of industry forecasts, network charging statements, regulatory publications and market prices.
- Based on information available at the time of writing (30 September 2026); all figures are subject to change.

What's changed in this edition

- New design, with charts built directly from our cost data.
- Losses now shown separately and counted with energy, so the non-energy share reads lower than in our April report.
- New wholesale methodology, giving a more accurate reflection of fully delivered wholesale costs.
- Two new cost lines: VTP mutualisation and the Bill Discount Scheme.

● If you need more detail on how this report is built, get in touch with your Ginger contact.



APPENDIX

Glossary

AAHEDC	Support for customers in the north of Scotland, where distribution costs are very high	FiT	Feed-in Tariff: legacy support for small-scale renewables
BICS	British Industrial Competitiveness Scheme: exempts eligible manufacturers from some levies from 2027	Losses	Energy lost between the grid and your meter, charged as a share of the energy cost
Bill Discount Scheme	Discounts for households near new transmission infrastructure, funded through bills	MHHS	Market-wide half-hourly settlement: billing every meter on half-hourly use
BSUoS	Balancing Services Use of System: the cost of keeping supply and demand matched	Nuclear RAB	A levy funding construction of the Sizewell C nuclear power station
Capacity Market	Pays providers to be available at times of peak demand	Price control	Ofgem's multi-year settlement of what network companies can earn
CfD	Contracts for Difference: the main support scheme for new low-carbon generation	RO	Renewables Obligation: legacy support for large renewable generators
Charging band	The band a site falls into, based on its connection and size, which sets fixed network charges	TNUoS	Transmission Network Use of System: the cost of the national high-voltage grid
DUoS	Distribution Use of System: the cost of local distribution networks	VTP mutualisation	Cost of compensating suppliers when Virtual Trading Parties trade customers' flexibility
EII	Energy Intensive Industries: eligible businesses get relief on network costs, funded by a levy on others		



Focusing our energy on yours

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