Business Energy Contracts Explained

A business guide brought to you by ENGIE

Shopping around for a better energy deal is a great way to lower your business overheads. However, with so many energy contract types available, choosing the right one for your business can be confusing.

To help you make a more informed choice, we've created this guide which aims to demystify business energy contracts. It explains and provides the pros and cons for the most common options available.

Unlike domestic energy supply, there is no 'cooling off period' for business contracts

Demystifying business energy contracts

Below are the most common contract options energy suppliers provide. All of which will exclude VAT and the government Climate Change Levy (CCL) charge. Suppliers also offer varying contract lengths, typically from 6 months up to 5 years. Locking in your energy costs for a longer term may help you with budget planning.

Be aware that unlike domestic energy supply, there is no 'cooling off period' for business contracts. So make sure you read the principal terms and conditions at the very least and the full terms and conditions if you can face it. Because once you've signed, there may be a cost if you break the contract terms.

Fully-Fixed Contract

The term 'fixed' can be a bit confusing when it comes to energy contracts but a 'fully-fixed' contract will typically include: the cost of energy, any third-party charges and supplier costs. However, some suppliers choose to exclude some or all of the various energy supply levies e.g. Contracts for Difference (CfD) and Feed In Tariff (FIT). So make sure you ask what is included in the unit price before signing on the dotted line.

Pros
No surprises. You can budget your energy costs with greater certainty.

Cons
That certainty may come at a higher unit price as the supplier will carry the risk of energy market fluctuations.

Fixed Contract with Pass Through charges

Your energy unit price is fixed but all third-party charges (such as network charges and government levies) are 'passed through' and shown as an additional cost on your bill.

Pros
Unit rates are likely to be cheaper as you carry some of the risk.

Cons
Pass through charges won't be included in your quote and because they can fluctuate you'll have less certainty about your monthly/ quarterly costs.

Flexible Contract

A contract that allows the customer to buy their energy at different times, typically on the short-term market.

Pros
If you have a good knowledge of the energy market then you can potentially save money. As the customer carries the risk, energy prices are at market rate.

Cons
All the risk is on you. You'll need to closely monitor the energy market and decide when to trade. Also, if there is a significant increase in energy prices, this will immediately impact your bills.

Fully Tailored Contract

As every business has different needs, if you engage with your supplier to discuss how your business consumes energy, they can recommend a contract that is tailored to your specific requirements. There are numerous elements which can be fixed or passed through and a good energy supplier should work with you to create a contract that fits you perfectly.

Pros
A perfectly tailored contract that allows you to pay for exactly what you need, saving you money and providing you with genuinely useful services. ENGIE specialises in providing a fully bespoke service where you can tailor your contract to your needs.

Cons
It can take time to research the market and see what is available. Not all suppliers are willing to invest the time needed to offer this type of fully bespoke service.

Call today to find the right energy contract for your business.

0800 049 9601 **direct.sales@engie.com**
myquote-business.engie.co.uk