Energy UK

The voice of the energy industry

Energy UK briefing: Middle East conflict and impacts on non-domestic energy contracts

Updated 24 March 2026

Key Points

- UK industrial electricity prices are already among the highest in the developed world, with prices for medium-sized businesses significantly above the European median, undermining international competitiveness.
- Conflict in the Middle East is currently causing significant volatility in oil and gas markets, with the latter being most important for pricing energy contracts.
- High energy costs are placing significant financial strain on businesses, particularly SMEs, with energy debt estimated at £2 billion and many firms struggling to manage rising bills.
- The non-domestic energy market is more complex than the domestic (household) market, with a wider range of suppliers, contract types and customer needs, meaning businesses face more varied risks and decision-making challenges.
- Recent improvements in customer satisfaction and complaints suggest progress in supplier engagement, though a significant proportion of businesses still face barriers in accessing support and navigating the market.
- Spring 2026 contracting is occurring against a backdrop of rising non-commodity costs, including network charge increases and policy-related levies, which add complexity and upward pressure on bills.
- Significant wholesale price volatility continues to create uncertainty, with businesses facing difficult trade-offs between fixed and flexible contracts.
- Some households on non-domestic energy contracts, such as those in mixed-use buildings or with bills included in rent, are exposed to price volatility without the protections available to typical domestic consumers.

What is the current state of UK business energy prices and the non-domestic market?

- UK industrial electricity prices are already among the highest in the developed world. Department for Energy Security and Net Zero's (DESNZ) data shows electricity prices for medium-sized businesses and households in the UK were 92% and 44% higher than the European median, ranking first and fourth highest in Europe, respectively.[1]
- Conflict in the Middle East is currently causing significant volatility in oil and gas markets, with the latter being most important for pricing energy contracts.

[1] Ofgem (2026), State of the Market Report: Energy retail market highlights

- These high prices are placing a strain on businesses, particularly SMEs, with energy debt estimated already around £2 billion.[2]
- The non-domestic energy market is more complex than the domestic market, with a wider range of suppliers, contract types and customer needs. This is reflected in the existence of 65 active non-domestic suppliers, compared to 22 active domestic suppliers.[3]
- It is worth noting that, while there is always further to go, there is widespread satisfaction in the non-domestic market according to the energy regulator's own figures.
- In 2025, 68% of business customers were satisfied with their supplier, compared with 62% in 2024. In relation to complaints, 18% of business customers had made a complaint to their supplier in the last 12 months, reducing from 23% in 2024. More than half (51%) of the businesses found it easy to contact their supplier, compared with 43% in 2024.[4]

What types of energy contracts are available to businesses in the non-domestic market?

- Businesses can choose from a range of contract types depending on their needs.
- **Fixed over an agreed contract** – these offer price certainty over a set period, typically between one and five years.
- **Variable rate contracts** – these track wholesale prices, meaning costs can rise or fall over time.
- **Flexible contracts** – these allow larger users to purchase energy in stages to manage risk.
- **Deemed or rollover contracts** – these are applied when no new agreement is in place and are typically more expensive.

What is going to happen to businesses contracting in Spring 2026?

- Non-domestic contracts tend to be longer than domestic contracts, although during volatile periods they may shorten with unpredictable costs. In less volatile periods, contracts of three to five years tend to be more common.
- April and October are the key timings for non-domestic contracting. External switches in October are around 70k and 65k in October. This does not reflect contract renewals, however, which are not published by Ofgem but are also a significant area of customer/supplier engagement in the Spring.
- The 2026 Spring round was already complex before recent geopolitical events, with significant increases in network charges (over 60% from April) alongside the introduction of additional policy costs, including the nuclear Regulated Asset Base, Network Charging Compensation Scheme uplift and uncertainty around the British Industrial Competitiveness Scheme (BICS).
- SMEs in particular may also be disadvantaged if they lack access to expertise or brokerage support in a complex and volatile market.

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[2] Bfy (2025), How to reduce B2B energy debt today and build future resilience
[3] Ofgem (2026), State of the Market Report: Energy retail market highlights; correct at the time of writing
[4] Ofgem (2026), State of the Market Report: Energy retail market highlights

How are policy and levy costs affecting non-domestic energy bills?

- Last year, Energy UK urged the Government to introduce a framework to ensure transparency and certainty surrounding the upcoming policy changes, so that suppliers and business customers are more accurately able to anticipate their costs. We have since continued our thinking with the CBI and will be suggesting further ways to cut bills.
- A lack of clarity increases risk for both suppliers and customers, which can be reflected in higher prices. While suppliers can hedge wholesale energy costs, most non-commodity costs cannot be hedged and now make up the majority of the bill.

How is wholesale price volatility affecting non-domestic energy contracts?

- In volatile periods, contract offers may only remain open for a short period - sometimes just a few hours - compared to the typical 24-48 hours.
- Customers in the non-domestic market face a trade-off between locking in prices for certainty and remaining exposed to potential price changes.
- Suppliers may offer fixed deals to provide protection against further increases, though customers would then not benefit if prices fell.
- Flexible contracts can provide greater adaptability in that case, with some allowing customers to switch to fixed arrangements at short notice.

Which households are exposed to non-domestic energy price increases?

- Some households, such as those in mixed-use buildings or with energy costs included in rent, are supplied through non-domestic energy contracts.
- These customers can be exposed to sudden price increases, particularly if they are not on fixed arrangements.
- Unlike standard domestic market customers, they do not benefit from the Ofgem price cap or routes for targeted bill support like the Warm Home Discount, increasing their vulnerability during periods of high prices.
- There was consideration for these costs in the 2022 wholesale gas price crisis, when bill-paying landlords were required to pass on the bill support.

About Energy UK

Energy UK is the trade association for the energy industry, representing companies investing billions of pounds to secure our country's current and future energy needs.

From growing start-ups to major electricity generators, grid and infrastructure developers and energy suppliers, our members are driving change across power, heat, transport and flexibility.

We provide a collective voice for the sector, working with governments, regulators, charities and other organisations to provide crucial insight that shapes policy, offers solutions and promotes best practice.

Our broad view across the whole system supports evidence-based positions which are not tied to particular technologies, and are focused on delivering strategic benefits for people, businesses and the economy.

We champion initiatives such as our Vulnerability Commitment, which pushes suppliers to go beyond regulation to support customers with additional needs, and TIDE, the industry's drive for greater inclusion and diversity. Through our Young Energy Professionals Forum, we support the development of future leaders. We are equally committed to our team and are proud to be recognised as a ‘Gold’ Investors in People employer.

For more information, please contact Energy UK at MPSupport@energy-uk.org.uk.