Non-Commodity Costs Outlook 2026/27

A Trio Report

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Commodity costs

UK gas commodity prices have seen large increases since the start of the conflict in the Middle East, with near-term prices doubling at their peak. Prices have calmed to some extent following a ceasefire, however, still remain 30% higher than pre conflict levels. Currently there are no Liquid Natural Gas (LNG) cargoes passing through the Strait of Hormuz, which is impacting 20% of the Global LNG supply. We now have the UK/Europe and Asia competing for less LNG supply to meet demand. Furthermore 17% of Qatar's LNG capacity is offline for 3-5 years following extensive damage. European Gas storages are low for the time of year, so less Gas supply will impact the ability to fill storages ahead of next winter.

UK electricity baseload prices have tracked the upward movement in gas prices, due to it making up around 30% of the current generation mix. Forward prices are around 20% higher than levels seen in February. Spot prices are seeing large swings depending on the amount of renewable generation on the grid.

Non-commodity costs

Non-commodity costs make up more than half the cost of an average business energy user's electricity invoice. These costs are comprised of network (third-party costs) and policy costs, summarized as follows:

- **Policy costs** – Green generation investment, energy efficiency, security of supply, climate change levy, renewable obligations, contracts for difference, and feed-in tariffs
- **Network costs** – Installing and maintaining the power grid, balancing the electricity system (supplying enough power), and supporting renewable energy generation

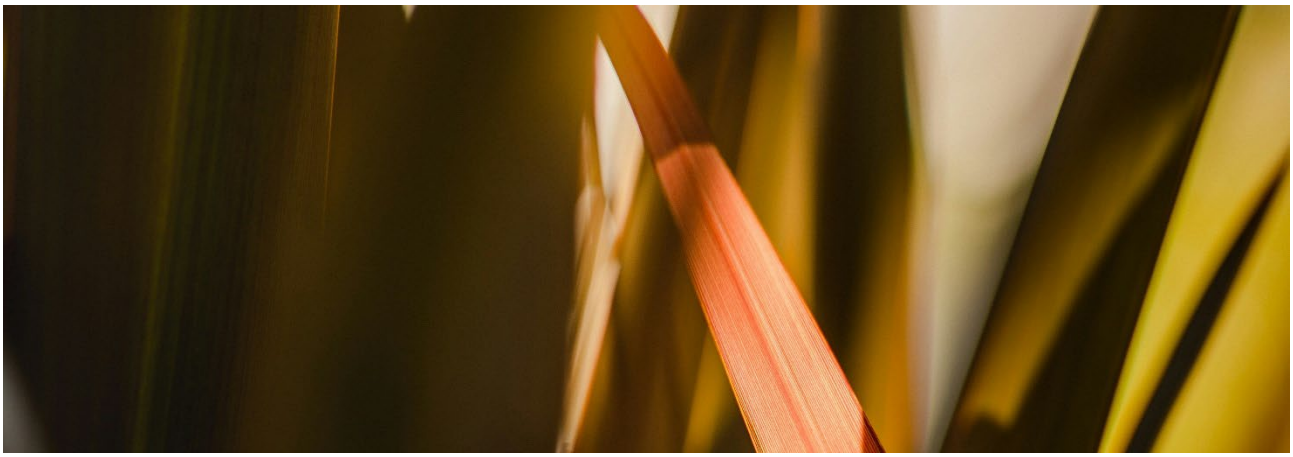
Non-commodity costs have increased by 13.23% overall in 2026/27 compared to 2025/26, while in 2027/28 they're expected to increase by 18.99% overall from 2025/26 costs.

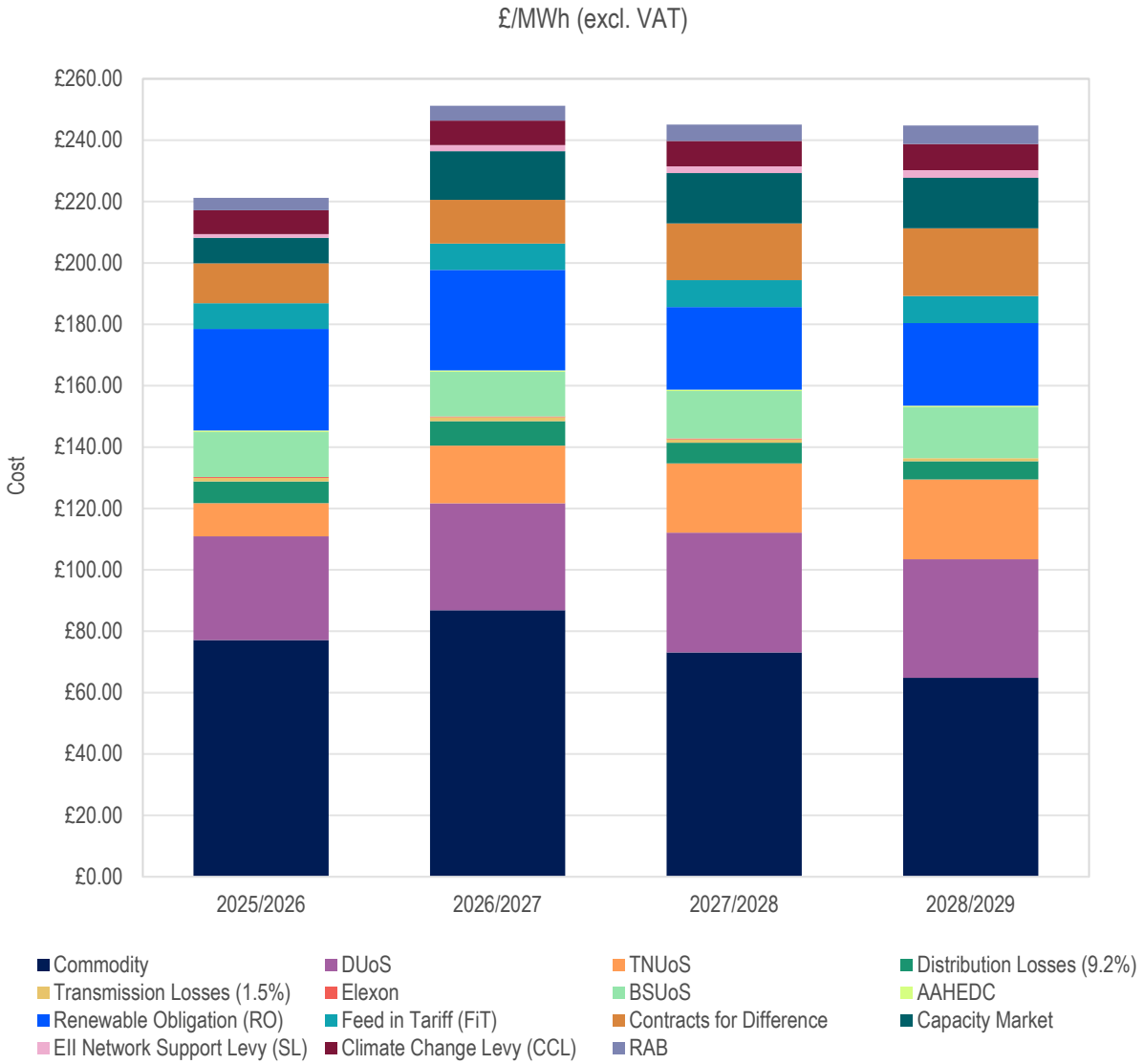
£/MWh	2025/2026	2026/2027	2027/2028	2028/2029
Commodity	£77.14	£86.84	£73.10	£64.82
DUoS	£33.78	£34.86	£39.02	£38.63
TNUoS	£10.81	£18.76	£22.60	£25.99
Distribution Losses (9.2%)	£7.10	£7.99	£6.73	£5.96
Transmission Losses (1.5%)	£1.16	£1.30	£1.10	£0.97
Elexon	£0.28	£0.26	£0.26	£0.26
BSUoS	£14.67	£14.54	£15.46	£16.66
AAHEDC	£0.49	£0.47	£0.47	£0.47
Renewable Obligation (RO)	£33.10	£32.73	£26.91	£26.90
Feed in Tariff (FiT)	£8.35	£8.56	£8.78	£8.82
Contracts for Difference	£13.00	£14.27	£18.48	£22.09
Capacity Market	£8.32	£15.85	£16.38	£16.43
EII Network Support Levy (SL)	£1.22	£1.97	£2.22	£2.50
RAB	£4.05	£4.80	£5.31	£5.99
Climate Change Levy (CCL)	£7.75	£8.01	£8.27	£8.54
Total (excluding VAT)	£221.21	£251.21	£245.08	£245.04

*MOP and DC/DA charges are not included in the table as they depend on the provider. If there is a direct contract in place between the client and the third party, these charges will not occur on your electricity bill. If the provider is appointed by the supplier, the cost will be passed to the customer.

**DUoS and TNUoS charges can vary significantly based on charging structures, customer characteristics, and the locational nature.

***Commodity prices based on market prices published on 20/04/2026.





Effect of the industry changes

Energy Intensive Industry (EII) Support Levy – From April 2026, network charge compensation for EIIs increases from 60% to 90%. The additional support is recovered from non-EII customers through higher network and policy charges.

Regulated Asset Base (RAB) model – The Nuclear RAB charge has been live since December 2025 to fund construction of Sizewell C. Charges vary seasonally and are expected to rise gradually over time as construction progresses.

Non-commodity cost expectations

DUoS forecast for 2027/2028 has increased due to inflation effects.

TNUoS charges increase significantly from April 2026 following the RIIO-ET3 Final Determinations. Fixed residual charges now dominate TNUoS costs, with further increases expected later in the decade.

The RIIO-ET3 Draft Determinations and NESO's 5-year view have significantly increased TNUoS costs from 2026 onward. This increase is mainly driven by the increase in revenue to be collected. Ofgem states that, without significant upgrade to the transmission system, BSUoS charges will rise. A larger share of TNUoS will be recovered via fixed standing charges, due to higher allowed revenues for transmission companies feeding into residual costs. Forward TNUoS forecasts remain sensitive to changes in system demand and connection assumptions, particularly as new large users connect to the network.

Residual Cost per Meter Type and Band (£/Site/Day)

Band	2025/26 Final	2026/27 Final	2027/28 Forecast
Domestic	0.1350	0.2226	0.2790
LV_NoMIC_1	0.1548	0.2393	0.3148
LV_NoMIC_2	0.3660	0.5873	0.8917
LV_NoMIC_3	0.7607	1.2424	1.9357
LV_NoMIC_4	2.0686	3.4610	5.3387
LV1	3.9077	5.7974	8.6145
LV2	6.5291	11.5118	17.0608
LV3	10.2519	14.3814	21.3303
LV4	22.7395	38.1801	57.1113
HV1	21.8304	31.8390	46.7147
HV2	62.7996	117.1528	174.4200
HV3	121.7954	185.4185	276.7079
HV4	317.5980	528.9123	792.8089
EHV1	160.7651	325.4766	461.1845
EHV2	741.7864	1,159.3815	1,651.1415
EHV3	1,576.2328	2,512.9305	3,448.4039
EHV4	3,882.7362	5,698.3864	7,853.8370

BSUoS – Balancing costs are expected to remain elevated as deployment of intermittent renewable generation continues, increasing the operational complexity of the electricity system. Costs from schemes such as **Contracts for Difference (CfDs)** and the **Capacity Market** are rising because more projects are now being supported, contract prices reflect higher construction and financing costs, and payments increase when wholesale market prices are lower. As these costs are recovered through customer bills, this places upward pressure on electricity prices.

A slight increase is expected in **FiT** rates due to inflation and change in national demand. EII are exempt from FiT from April 2024, which affects overall costs for non-EII.

Renewables Obligation costs are expected to reduce from 2027/28 onwards. This is because many of the older renewable projects supported under the scheme are reaching the end of their subsidy periods and will no longer add to consumer costs. At the same time, some biomass projects are moving onto new support arrangements, further reducing RO charges. As new renewable generation is now supported through Contracts for Difference rather than the RO, the scheme is gradually running down, leading to lower RO costs over the late 2020s.

CCL for 2026/27 has been confirmed at £8.01/MWh, as per industry publication.

AAHEDC has not undergone significant changes. There is slight increase expected in the following years.

Upcoming changes

	What's changing	When	What it means
British Industry Supercharger	Government support package to reduce electricity costs for energy-intensive industries.	From **Apr 2027**	Some costs may be **spread more widely across the system**, which could slightly increase charges for other users.
AI Growth Zones	Incentives for data centres to locate in areas with spare grid capacity.	From **Apr 2027**	Small system cost impacts in the short term; potential long-term efficiency benefits.
Network Investment (RIIO-ED3)	Increased investment in electricity networks to support net zero and resilience.	From **Apr 2028**	Network charges are **expected to rise over time**.
Carbon Price Support (CPS) Removal	The UK Government will abolish Carbon Price Support; the carbon tax applied to fossil-fuel electricity generation.	From **Apr 2028**	Wholesale electricity prices are expected to fall slightly as carbon costs are removed, though the overall benefit may be offset by rising network and policy charges.

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Book some time with the Trio Risk Management team to map what this could mean for your specific business.

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