ADE: Demand Briefing | 2026 Autumn Budget
28 October 2026

Three hours ago, the Chancellor of the Exchequer, John Healey, published his maiden Autumn Budget as 'breathing space for today, fresh hope for the future'. Despite promising a plan, in his speech, for an upcoming "radical reform to energy to lower future bills" there is no mention of this anywhere in the budget itself.

A key focus of the Chancellor's speech was to address the uncertainty caused by ongoing geopolitical crises and the resulting economic pressures, notably with the announcement of a £100 Household Energy Payment for households in bands A to D in England this winter. The Office for Budget Responsibility forecast issued a sharp downgrade for growth in 2027 and highlighted that energy prices have increased sharply since their last forecast in March.

On initial analysis from ADE: Demand, this Budget is mostly positive - the inclusion of heat batteries to the list of materials that qualify for the reduced rate of VAT of 5% and the introduction of a new comprehensive Cost Control Framework that will set budgets for components of energy costs, including policy costs, is very welcome.

For non-domestic, the picture is less positive. A few of the announcements had already been announced and provided no further clarity, such as funding to the British Industrial Competitiveness Scheme.

Below we will outline in detail the points critical to ADE: Demand and its members that were set out in today's Budget.

Positive:

- **Overall Energy Policy:**
    - Non-Commodity Cost Reform
        - **Para 4.21:** *"The government will introduce a new comprehensive Cost Control Framework (CCF) at the spending review in 2027 that will set budgets for components of energy costs, including policy costs, to ensure government action drives bills down over the next 10 years. Until that CCF is in place, no further policy costs will be placed on bills unless they bring bills down or are essential for security of supply."*
        - **Any Caveats:** This is extremely welcome, especially if it encompasses all demand – domestic, commercial, and industrial. In particular the impacts for the opportunities for demand turn up (DTU) could be immense. We will inquire with decisionmakers on the best means of engagement.
    - Cheaper Energy Mix
        - **Box 3.A** *"Prioritising a cheaper energy mix and procuring new generation only where it lowers bills, benefits the system, and can be accommodated by the grid."*

- **Box 3.A** *"no new policy costs will be put on bills until a comprehensive Cost Control Framework is in place at the spending review in 2027, which will set budgets for components of energy costs, including policy costs."*
- **Any Caveats:** Consumer-led flexibility (CLF) will be critical to ensuring a cheaper energy mix and whole-system benefits, but government and NESO have yet to unlock its full potential.

- Immediate Bill Relief
  - **Para 6.24:** *"Household Energy Payment: £100 council tax rebate for households in bands A to D – The government will provide a £100 Household Energy Payment for households in bands A to D in England, alongside £100 million of further funding for local authorities to provide targeted support to households acutely impacted by rising energy bills. This will be delivered by local authorities from January 2027."*
  - **Any Caveats:** One-off support is a short-term reaction to a broken system - urgent radical reform is what will bring bills down for good.
- Effect of overall devolution policy
  - **Para. 3.11:** *"The government will shortly bring forward the Energy Independence Bill to legislate for some of the measures in this Budget."*
  - **Para. 4.44:** *"The NWF will be provided with an additional £15.4 billion of capital to support growth across the UK, including £2 billion for the Energy Wealth Fund."*
  - **Any Caveats:** It is unclear what the additional NWF contributions will interact with spatial planning, colocation, microgrids, and community energy projects.
- Wholesale Contracts for Difference (CfDs)
  - **Para 4.32:** *"The consultation on wholesale Contracts for Difference has been published today to progress the government's plans to delink electricity from volatile international gas prices."*
  - **Any Caveats:** Not a huge area of focus for us to date, we hope WCFDs can have a similar effect to the CfD reforms suggested under the original REMA proposals without going as far as a split wholesale market. Member insights are welcomed.
- Align with Wider Policy Reforms and Governance
  - **Para 4.30:** *"The government will set out further detail on reforming and improving the efficiency of the electricity market in the 10 Year Plan. This will include how siting and investment decisions are made by generators, constraint management, system pricing, and balancing and settlement arrangements, building on the reformed national pricing programme set out earlier this year. These reforms will reduce system costs, make markets work better for consumers, and encourage electrification."*
  - **Para 4.31:** *"The government will review accountability across the energy system – setting clearer expectations for the roles, responsibilities, priorities and outcomes of the National Energy System Operator (NESO), Ofgem and the Department for Energy Security and Net Zero (DESNZ)."*

- **Any Caveats:** We welcome efforts to join up wider policy reforms as we've seen siloes between spatial planning, reformed national pricing, and the clean flexibility roadmap, which resulted in disjointed priorities and action from NESO, Ofgem, and DESNZ. We will press for a more detailed plan from Government.

- **Domestic:**
  - Standing Charge Reform
    - **Para 3.9** *"To give consumers more control over their bills, the government has asked Ofgem to abolish gas standing charges on domestic energy bills, aiming for delivery by the end of 2027 or as soon as possible after then."*
    - **Para 6.25** *"The government is also committing to reform electricity standing charges and will set out details next year."*
    - **Any Caveats:** We welcome reforms to lower energy bills, but electricity must receive the same support that gas is given to make electrification the economically rational choice, which is critical for Clean Power 2030 and Net Zero goals.
  - VAT Relief for Heat Batteries
    - **Para 6.215:** *"The government will add heat batteries to the list of materials that qualify for the reduced rate of VAT of 5% applying to energy saving materials from 1 April 2027, when installed in residential accommodation and charitable buildings. This will be legislated for via secondary legislation and take effect from 1 April 2027."*
    - **Any Caveats**: Immediately following the Budget, we received further clarity: the scope of the relief through secondary legislation will add heat batteries early next year; since VAT goes to 5% in April this is what heat batteries will be exposed to. Other questions include how the legislation will define heat batteries in the secondary leg. We assume it will be the same definition as that for BUS inclusion, but we cannot guarantee this.
  - Electric Vehicle (EV) Taskforce, Updates on the Zero Emission Vehicle (ZEV) Mandate, and VAT relief for EVs
    - **Para. 3.16:** *"The government is taking immediate steps to establish a taskforce to explore allowing drivers to use their domestic electricity tariff at local, lower-powered public charge points… the government is also announcing £100 million over the next two years to reduce costs for local, lower-powered public chargers. Coming into effect from Spring 2027, this is expected to save the average EV driver without home charging and who charges on-street around £150 per year."*
    - **Para. 6.29:** *"an intention to publish the UK and devolved governments' response to the ZEV Mandate Review consultation by the end of 2026, with a view to any changes taking effect from 2027."*
    - **Para. 6.205:** *"government will introduce legislation in Finance Bill 2026-27 to clarify that electricity supplied through publicly accessible, and workplace electric vehicle*

charging points is subject to 20% VAT and is not considered domestic use for the Climate Change Levy. The legislation will take effect from 1 November 2026."

- **Any Caveats:** Nothing specific on private charge points or the effect of smart regulations on the costs of private EV charge points. The taskforce is a welcome announcement and its interaction with retailers will be one to monitor closely.

- **Non-Domestic:**
  - Data Centre Covenant launched with stronger energy connectivity support
    - **Para 4.128:** *"At this Budget, the government has invested over £700 million to: […] Launch a new Data Centre Covenant – setting tests for approving new strategic data centres and the contribution these projects must make to the UK, matched by a stronger offer of government support on energy connectivity for the projects that contribute the most to the UK's objectives."*
    - **Any Caveats:** It is welcome that government links data centre growth to energy connectivity. The £700 million covers the whole AI package, and around £500 million of it goes on AI security (Para 4.129). No specific sum is set aside for data centre energy connections. Support is reserved for projects "that contribute the most to the UK's objectives", which have yet to be defined (Para 4.139).
  - Data Centres to pay for the energy costs they create and support flexibility
    - **Para 4.137:** *"Lower electricity bills: pay for their fair share of energy – covering any energy costs they create – so households, communities and other businesses do not pick up the bill. Their growth should help spread energy system costs across a larger base, reducing the share paid by households and businesses. They should also support grid resilience, flexibility and clean power."*
    - **Any Caveats:** This is the only place the Budget mentions flexibility in an energy sense, and the principle is welcome. The test has no metric attached. ADE: Demand will push for it to mean flexible, self-build, or non-firm connection terms, or a commitment to turn demand down, in return for priority access. Our Connections Costs report (July 2026) already asks NESO for a standard non-firm demand product.
  - Government commits to building UK data centre capacity
    - **Para 4.136:** *"The government will ensure the UK has the data centres, energy connections, advanced chips and digital infrastructure needed to support national resilience, and the development and adoption of AI. Building the next generation of data centre capacity in the UK will reduce reliance on infrastructure overseas and ensure British businesses and public services can access the compute they need."*
    - **Any Caveats:** Data centres are now framed as national resilience infrastructure, which strengthens their claim on grid capacity. The Budget gives no estimate of the demand this will add. Regional Energy Strategic Plans (RESPs) will need that figure, shown separately from industrial electrification, to plan networks fairly.

- NESO and network companies to find data centre capacity available before 2030
    - **Para 4.138:** *"Identify additional capacity: working with NESO and network companies to identify locations where capacity may be available before 2030 and may use Planning and Infrastructure Act powers to access this capacity."*
    - **Any Caveats:** Mapping spare capacity before 2030 would help all demand. ADE: Demand will ask for the results to be published and opened to industrial and commercial projects as well as data centres. This sits alongside the NESO demand register our connections research called for.
- Pre-2030 data centre connection contracts can be transferred
    - **Para 4.138:** *"Accelerate connections before 2030: where there is a need to go further, using new Planning and Infrastructure Act powers to facilitate the transfer of pre-2030 data centre connections contracts."*
    - **Any Caveats:** Our connections research found that developers reusing an existing grid position have no defined route and have to piece one together informally. The Budget creates a route for data centres only. We will ask for the same route for industrial and commercial demand.
- Temporary on-site power for exceptionally strategic (data centre) projects
    - **Para 4.138:** *"Enable access to temporary power to bridge the gap to grid connections: by developing a tightly controlled framework to permit on-site generation until a grid connection can be secured. This will only be available for exceptionally strategic projects and only where the measures set out above cannot secure the required capacity in time, and subject to conditions such as ensuring energy security."*
    - **Any Caveats:** This could open a market for members who supply on-site generation, storage and CHP. The framework names no technology, so without conditions it could default to gas or diesel engines. ADE: Demand will argue for storage and flexible, low-carbon options first. Those assets should also serve the wider system once the grid connection arrives.

Negative:

- **Overall Energy Policy:**
    - Upcoming work on 'Market Arrangements for Gas'
        - **Para 4.32:** *"The government intends to consult on Market Arrangements for Gas, with further details to be announced in due course."*
        - **Any Caveats:** We believe this refers to what has been rumoured as the wider Capacity Market (CM) review that may look to introduce a new subsidy mechanism for gas akin to a RAB or a hybrid strategic reserve.
- **Non-Domestic:**
    - No update or addition to British Industrial Competitiveness Scheme (BICS)

- **Para 6.31:** *"British Industrial Competitiveness Scheme (BICS) funding – Applications are now open for the scheme, which from 1 April 2027 will exempt eligible businesses in Great Britain from the indirect costs of the Renewables Obligation, Feed in Tariffs and Capacity Market schemes. The government is also providing an additional payment to eligible businesses in 2027 to reflect the support they would have received had the scheme been in place sooner. The Northern Ireland Executive is being funded to deliver a comparable scheme."*
- **Any Caveats:** This is not a new announcement, BICS predates the budget and no new updates were included here, except perhaps the back-payment in 2027 to certain eligible businesses. It still remains that BICS is only available to a subsect of businesses and does not address the root problem of high electricity prices across the board. Alas, there is also no mention of or allusion to a targeted electrification discount (TED) scheme for businesses trying to decarbonise via electrification. We are also still waiting for a formal Industrial Decarbonisation Plan (an IDP that would include dispersed industrial sites).

- Covenant tests bind only strategic data centres seeking government support
  - **Para 4.137:** *"The government is announcing a new deal for the development of data centres, set out in a Data Centre Covenant published today. All data centres are encouraged to meet the tests set out in the Covenant, with strategic data centres required to meet them where they are seeking enhanced government support."*
  - **Any Caveats:** For most data centres the Covenant is voluntary. It only binds a strategic data centre that wants enhanced support, such as priority connections. The definition of "strategic" (Para 4.139) therefore decides how far the tests reach.
- Ministerial Control Centre to reserve and reallocate grid capacity
  - **Para 4.138:** *"In return, a new Ministerial Control Centre will accelerate time to power for strategic data centres. The government will: Reserve and reallocate connections: using new Planning and Infrastructure Act powers to prioritise strategically important demand projects, including data centres, by reserving future capacity and reallocating capacity released when other projects leave the connections queue."*
  - **Any Caveats:** Faster connections support growth, but reserved capacity has to come from somewhere. Industrial and commercial members electrifying their sites could wait longer as capacity goes to data centres. The Budget doesn't say how much capacity will be reserved or where. Our Connection Costs report asked government to keep industrial electrification separate from data centre demand in planning and prioritisation.

To be Determined:

- **Overall Energy Policy:**
  - Limitations on Clean Power Procurement
    - **Para 4.23** *"government will ensure that it only procures clean power when it lowers bills overall and can connect to the grid"*

- **Any Caveats:** This may serve to increase wind curtailment when it is deemed to be the cheaper option by NESO. This is potentially detrimental to flexibility, especially if it comes at the expense of utilising renewables combined with Demand Turn Up and continuing to turn up gas south of constraints simply because dispatch and market arrangements are inefficient.

- New Great British Grid (GBG) seems limited for now
  - **Para 4.26:** *"To drive down costs, the system must also deliver infrastructure cheaper and faster. As announced by the Prime Minister, Great British Grid will work alongside existing network operators to increase competition and support delivery of grid upgrades and reforms. Competition in offshore electricity networks has delivered hundreds of millions of pounds of bill savings, and building on this success, competition will shortly be introduced into onshore electricity transmission networks."*
  - **Any Caveats:** As a newly established body under Great British Energy (GBE, itself relatively new), GBG sounds to be more of the same and was only mentioned once in the budget. It's unclear what exactly GBG will do, how or when. ADE: Demand is intrigued how GBG will fit into conversations around (the actual need for) grid build out, consumer-led flexibility and spatial planning (Centralised Strategic Network and Regional Energy Plans (CSNP and RESP, respectively)).

- **Non-Domestic:**
  - Strategic Demand Connections consultation forthcoming
    - **Para 4.27:** *"The government is publishing a consultation response on strategic demand connections which will confirm the use of powers in the Planning and Infrastructure Act to prioritise grid connections for strategically important projects."*
    - **Any Caveats:** This is not a new announcement, but we welcome this consultation and will be responding. As noted under the BICS section, the lack of a TED for demand customers is disappointing.
  - Draft Data Centre National Policy Statement out for consultation
    - **Para 4.140:** *"This includes publishing a draft Data Centre National Policy Statement for consultation, which sets out the decision-making framework for data centre projects seeking development consent through the Nationally Significant Infrastructure Project regime."*
    - **Any Caveats:** The National Policy Statement sets the consent rules for large data centres. It is the natural place to make the flexibility and heat reuse expectations testable. ADE: Demand will respond to the consultation.
  - Definition of strategic data centres to follow
    - **Para 4.139:** *"The government will set out further details in due course on the definition of strategic data centres and the additional criteria such projects will be*

expected to meet, including their contribution to local communities and impacts on the UK's national and energy resilience."

- **Any Caveats:** The definition decides who gets priority access and which Covenant tests apply. That makes it the main point for ADE: Demand to engage. No date is given.