Non-energy costs: An update

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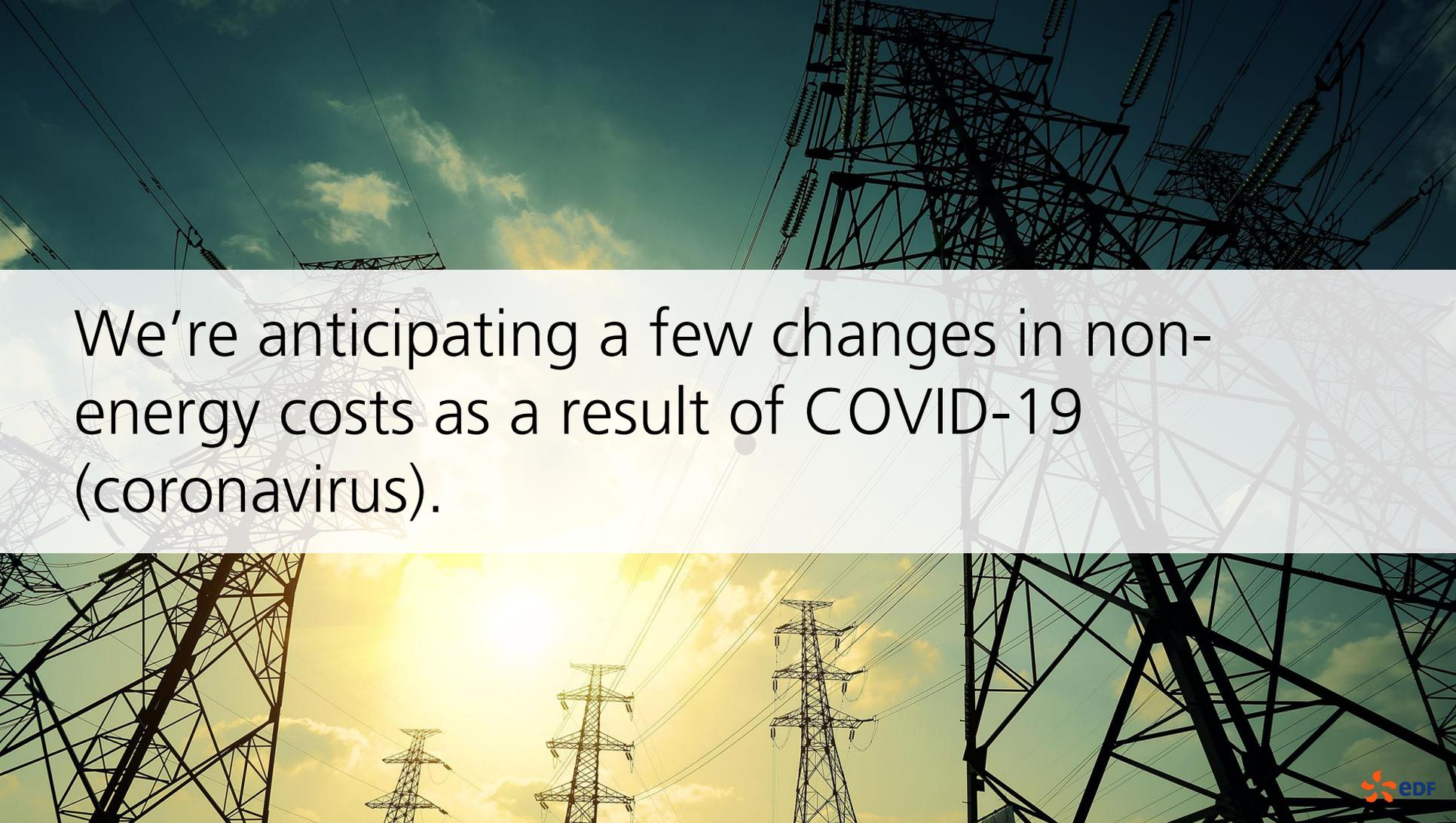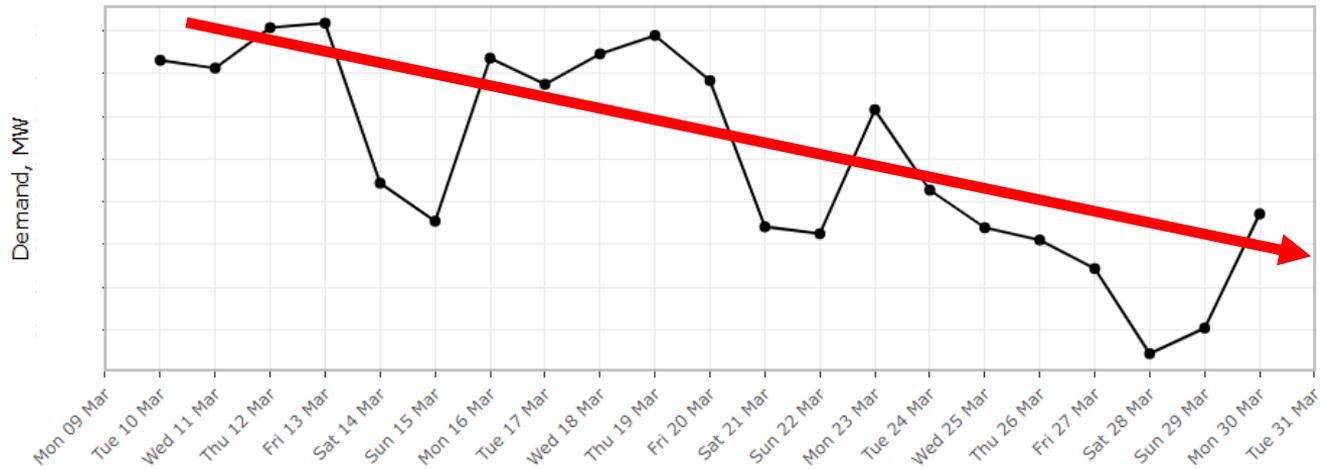
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We're anticipating a few changes in non-energy costs as a result of COVID-19 (coronavirus).

The main cause of these changes is expected to be a reduction in demand
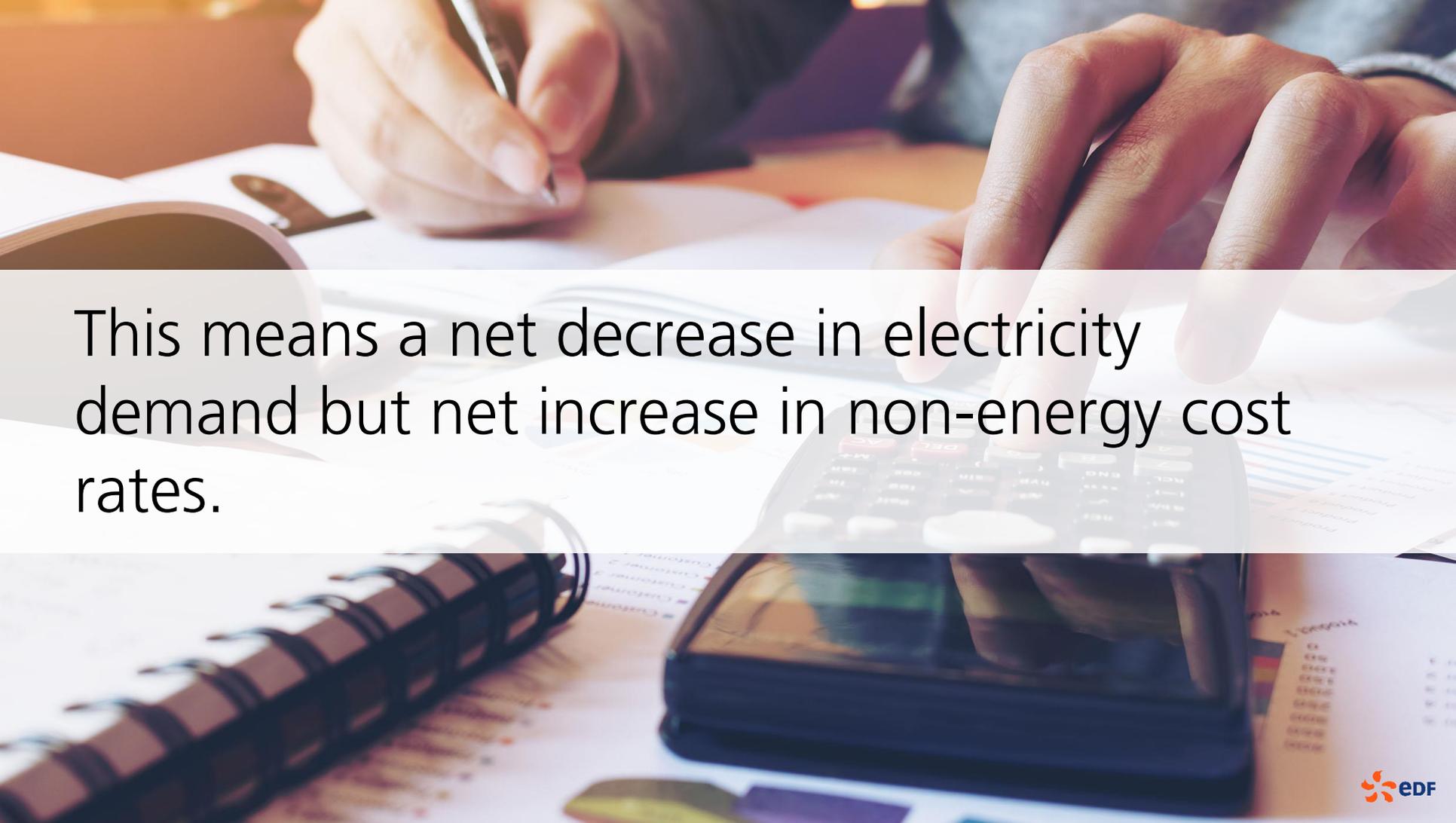
Average Daily UK National Demand

Source: INDO demand adjusted for approx. embedded

The decrease in business electricity demand will be larger than the increase in residential electricity demand.

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This means a net decrease in electricity demand but net increase in non-energy cost rates.

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What could these changes look like?

Total £/MWh non-energy cost increases

% reduction in demand/months effected	3 months	6 months	9 months
10%	£0.50	£1.00	£1.50
20%	£1.50	£3.00	£4.50
30%	£2.00	£4.00	£6.00

BSUoS: Balancing Services Use of System charge

$$\text{BSUoS rate (£/MWh)} = \frac{\text{Cost of balancing the transmission system (£)}}{\text{Chargeable demand (MWh)}}$$

BSUoS will increase in 2020/21 but later years shouldn't be impacted.

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CfD: Contracts for Difference

CfD rate (£/MWh) = $\dfrac{\text{Cost of payments to CfD generators (£)}}{\text{Chargeable demand (MWh)}}$

CfD will increase in 2020/21 but later years shouldn't be impacted.

FiT: Feed in Tariff

FiT rate (£/MWh) = $\dfrac{\text{Cost of payments to FiT generators (£)}}{\text{Chargeable demand (MWh)}}$

FiT will increase in 2020/21 but later years shouldn't be impacted.

CMSC: Capacity Market Supplier Charge

CMSC rate (£/MWh) = $\dfrac{\text{Cost of capacity provider payments (£)}}{\text{Chargeable demand (MWh)}}$

CMSC will increase in 2020/21 but later years shouldn't be impacted.

RO: Renewable Obligation

RO rate (£/MWh) = Obligation level (ROCs/MWh) x Buyout price (£/ROC)

RO won't increase in 2020/21 but it's uncertain how later years will be impacted.

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TNUoS: Transmission Network Use of System

TNUoS rate (£/MWh) = $\dfrac{\text{Cost of operating the transmission network (£)}}{\text{Chargeable demand (MWh)}}$

TNUoS won't increase in 2020/21 but will in later years to recover losses.

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DUoS: Distribution Use of System

DUoS rate (£/MWh) = $\dfrac{\text{Cost of operating the distribution network (£)}}{\text{Chargeable demand (MWh)}}$

DUoS won't increase in 2020/21 but will in later years to recover losses.

In summary…

Non-energy cost	2020/21 change in rate	Post-2020/21 change in rate
BSUoS	Increase	No change
CfD	Increase	No change
FiT	Increase	No change
CMSC	Increase	No change
RO	No change	Uncertain
TNUoS	No change	Increase
DUoS	No change	Increase

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> Impacts are still uncertain.
> May be increased risk of higher mutualisation charges.
> COVID 19 may impact electricity demand beyond 2020.

> …look out for future updates in our quarterly Monitor report.

Thank you

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