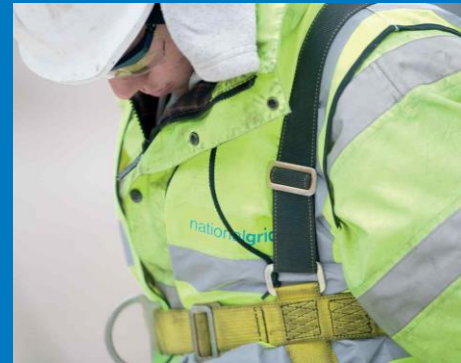


CUSC CMP286 – ‘fixing’ TO revenues



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CUSC CMP 286 - overview

- Raised by Npower in October 2017, seeks to 'fix' TO Target Revenues 15 months in advance;
- Rationale:
 - Suppliers use NGET forecasted values to forecast their own demand TNUoS charges;
 - Charges are included in fixed price contracts which vary in duration but can be 36 months;
 - To mitigate the risk of the TNUoS element of fixed price varying to outturn, Suppliers may use a risk premium in consumer prices;
 - Fixed values would give Suppliers more certainty and potentially reduce any risk premia charged to consumers

STCPs 13-1 and 14-1

- Existing timeline (18/19 CY illustrative example):
 - ESO requests 18/19 GSC* from ETOs – October 2017
 - ETOs provide GSC to ESO – November 2017
 - ETOs may update ESO until 25 January 2018
 - ESO uses latest values provided as input – >26 January 2018
 - ESO publishes final TNUoS tariffs – 31 January 2018
 - Published tariffs apply – 1 April 2018
 - ETO paid by ESO based on values submitted January 2018

How can a 15-month 'fix' work under this arrangement?

*General System Charges, as defined in STC

Areas for consideration...

- Where should the risk sit?
 - Is it best placed with the ESO or the TOs?
- Can it be mitigated?
 - How and by whom?
- Would consequential amendments be appropriate?
 - To which codes? Such that...?
- Are there alternatives to fixing the GSC?
 - If needed, can other inputs be fixed as alternatives?

Timescales/Next Steps:

- CMP 286 proceeding to WG - expected to remain in WG for c.9 months;
- Current proposed implementation date April 2019 – NB: transitional arrangements unclear & no current indication as to 1st affected CY;
- NG ESO is Workgroup Member – change will be monitored and update provided to STC Panel;
- Separately, ways forward to be considered by ESO and recommendations to be made to STC Panel