

Annex 5 – CMP344 – Tariff Analysis

Post Workgroup consultation and post Workgroup Vote, The ESO provided Tariff Analysis which illustrates the potential impact of CMP344 on the demand residual, based on figures from the current price control. The Workgroup noted that this analysis was being prepared, but did not review this analysis in time for publication of this report. This analysis is contained as an Annex to this report (Annex 5).

The workgroup noted that there would be a corresponding benefit to consumers from the reduction in the risk associated with income adjusting events which is currently recovered through local charges. This reduction in risk should be reflected in a lower cost of capital for Offshore projects, and potentially in lower CfD prices. This should result in the removal or uncertainty over cost recovery of Income Adjusting Events, manifesting a cost of capital benefit for Offshore TOs.

The below table illustrates the change in £/kW for HH and EET and change in p/kWh for NHH compared to our base case draft TNUoS forecast which will be published Monday 30 November 2020, if CMP344 were to be implemented. All the changes are accounted for in the demand residual.

	2021/22 Base Case	2021/22 CMP344 Sensitivity	Change
OFTO Local Revenue (£m)	422.69	422.26	- 0.430132
Revenue from Generation (£m)	813.71	813.28	- 0.430132
Revenue from Demand (£m)	2,596.96	2,599.77	2.811000
Generation Residual £/kW	- 0.027640	- 0.027640	- 0.000000
Average Generation Tariff* £/kW	11.351149	11.345149	- 0.006000
Average HH demand tariff £/kW	52.460812	52.525658	0.064846
Demand Residual £/kW	54.342512	54.407358	0.064846
Average NHH demand tariff p/kWh	6.563620	6.571785	0.008165
Average EET tariff £/kW	2.272481	2.272481	0.000000

*N.B These generation tariffs include local tariffs