CMP241: TNUoS Demand Charges during the implementation of P272.

Damian Clough – 27th February 2015

CMP241 Background

- A meter is settled as Non Half Hourly (NHH) or Half Hourly (HH)
- NHH chargeable demand equals daily demand between 4-7pm for the whole year
- HH demand for charging purposes is average demand over the three Triad periods (November to end of February)
- P272 mandates that Profile Classes 5-8 are settled HH by April 1st 2016
- When meters are transitioned from NHH to HH within year they will receive a NHH charge plus a HH charge resulting in the liability being greater than if they were only NHH or HH settled for the whole year
- The implementation of P272 will make a material impact on the Industry under the current TNUoS charging methodology
- Depending on the contract with the end consumer the Supplier will face increased liabilities or the end consumer will face increased bills
- This will lead to an over recovery paid for by Suppliers with this over recovery reducing future allowed revenues payable by all Transmission users
- Over and Under Recovery in this instance by certain Suppliers adjusts the future allowed revenues payable by **all** Suppliers **and** Generators

CMP241 Proposal

- For the purposes of TNUoS demand charges all meters within Profile Classes 5-8 moving to Measurement classes E-G post 1st April 2015 will be settled as NHH for the <u>**whole**</u> charging year up until the implementation of P272
- This will avoid meters being settled and charged as both NHH and HH within a charging year thus increasing the demand liability
- Where consumers are being settled as HH before 1st April 2015 (and who would originally have been classed as Profile Class 5-8) we will settle those meters as HH but <u>**only**</u> if the Supplier provides us information before the reconciliation <u>**and**</u> tells us of its intentions before the start of the Triad season
- This will avoid existing HH settled consumers losing the benefits of being HH settled i.e. they actively Triad avoid
- Elexon will send National Grid a data file showing demand data for all Profile Classes 5-8 which will be used at reconciliation as well as any Supplier data provided

CMP241 Justification for Urgency

- Suppliers are required to submit forecasts of annual demand for both HH and NHH (per demand zone). This creates a monthly liability
- If implementation is after the start of the year this will affect Supplier forecasts
- Suppliers need to forecast **annual** demand according to the CUSC and current methodology. They will be invoiced monthly based on these forecasts
  - Estimate that this will lead to Suppliers as a whole paying around £8m per month initially in overlapping charges
  - These overlapping charges will either be returned gradually over the year or as part of the reconciliation in July following the charging year (cashflow)
- The difference between forecast liability and actual liability per month affects the forecasting performance VAR. Incorrect forecasts impacts on credit requirement

CMP241 Justification for April 1st 2015 Implementation Summary

- The modification justifies the Urgent Criteria as it is linked to an imminent date (1st April 2015) and will have a potential commercial impact on at least one code party;
- The modification if implemented for the whole charging year reduces any extra TNUoS costs due to the implementation strategy of P272 to near 0