



Third Party Charges

December 9, 2016

CM – Capacity Market

Subsidises for the successful auctions of capacity from generators and dynamic response portfolios.

EII – Energy Intensive Industries

Subsidy levied on the majority of electricity supplies to provide RO and FiT relief to larger consumers

Tloss / Dloss – Transmission Losses / Distribution Losses

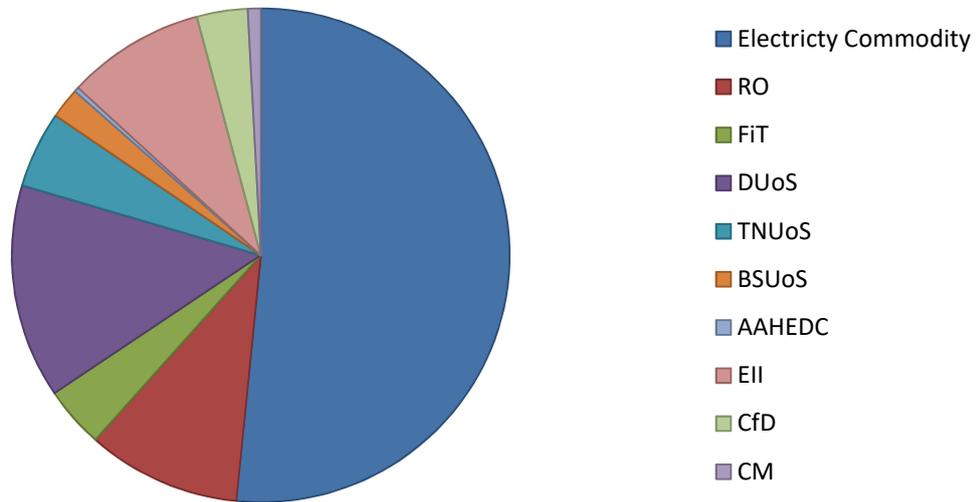
Physical loss/use of electricity through either Transmission or Distribution

AAHEDC – Assistance for Areas with High Electricity Distribution Costs

Subsidy that aims to reduce costs to consumers with the distribution of electricity in certain areas of the country, typically North of Scotland – replaces “Hydro Benefit”

CCL – Climate Change Levy Tax to encourage business to use less electricity and gas in addition to finding ways of becoming cleaner.

Electricity Price - Fully Delivered



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United Kingdom
2nd Floor
48-54 Moorgate
London EC2R 6EJ
T + (44) 020 3068-0000
F + (44) 020 3068-0001

Sydney
Level 12
100 Miller St
North Sydney NSW 2060
T + (61) 02 8228 7400
F + (61) 02 8228 7450

Auckland
Plaza Lvl 1, AXA Building
41 Shortland St
Auckland NZ 1140
T + (64) 0800 441 583
F + (64) 9363 9700

Melbourne
Suite 1414
401 Docklands Drive
Docklands VIC 3008
T + (61) 03 9981 0000
F + (61) 03 9981 0050

Adelaide
213 Greenhill Rd
Eastwood SA 5063
T 1800 676 098
F + (61) 08 7087 6899

Perth
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FIT – Feed in Tariff

Set up to encourage and pay for smaller scale renewable energy generation such as domestic solar, wind and hydro generators.

RO – Renewable obligation

Large scale generators must have 15% of their electricity from renewal sources and this is a main support for this initiative.

CfD – Contract for Difference

Difference between the market price and agreed price (strike price) for the generation of energy. Typically pays for larger sale generators such as the Hinckley plant



DUoS – Distribution Use of System

Recovering the cost involved in getting the power to your home or business

TNUoS – Transmission Use of System

Transmission charges for the networks

BSUoS – Balancing Services Use of System

Recovering the cost of balancing the supply vs the demand across the entire grid (BSUoS is increasing due to “small no. of large generators” being replaced by “large no. of small generators” (growth of small generators i.e. solar panels), requiring more synchronisation)



We can help you manage your demand to avoid peak pricing and lower your cost.

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Pass-through – Contracts and options

A Pass-through contract is an agreement of energy supply where the only element of the prices that is fixed is the wholesale energy rate and all network and legislative charges are passed through at the actual cost to the supplier. The differences between this type of contract and the more traditional “fully Fixed” are depicted as below:

Third Party Costs Included in the Rates Shown for each Meter	Pass-through	Fully Fixed
Assistance for Areas with High Electricity Distribution Costs (AAHEDC)	Pass-through	Fixed
Balancing System Use of System Charges (BSUoS)	Pass-through	Fixed
Capacity Market (CM)	Pass-through	Fixed
CfD Costs (CfD)	Pass-through	Fixed
DA Charges	Pass-through	Pass-through
DC Charges	Pass-through	Pass-through
Distribution Use of System Charges (DUoS)	Pass-through	Fixed
Energy	Fixed	Fixed
Feed in Tariff costs (FiT)	Pass-through	Fixed
Renewables Obligation (RO)	Pass-through	Fixed
Settlements	Pass-through	Fixed
Transmission Network Use of System Charges (TNUoS)	Pass-through	Fixed

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Pass-through Vs Fixed

It is important to ascertain the needs of your organisation when selecting a contract because both contracts have their advantages and dis-advantages.

Fixed

Advantages	Dis-advantages
Budget certainty	Risk premiums are built-in
Clear simple Billing	Not transparent
Easier to forecast spend	No advantage from lower third part costs
Protected against legislative changes	Unsuitable for dynamic response products
Easy to manage	Limiting benefits for demand management

Pass-through

Advantages	Dis-advantages
Greater transparency	Risk of higher third party charges
Benefit from actual third party charges	Complex billing
No Risk Premium	Costs are not secured
Able to take advantage of triad avoidance	Commonly miss-sold
Suitable for dynamic response products	Budget forecasting difficulties

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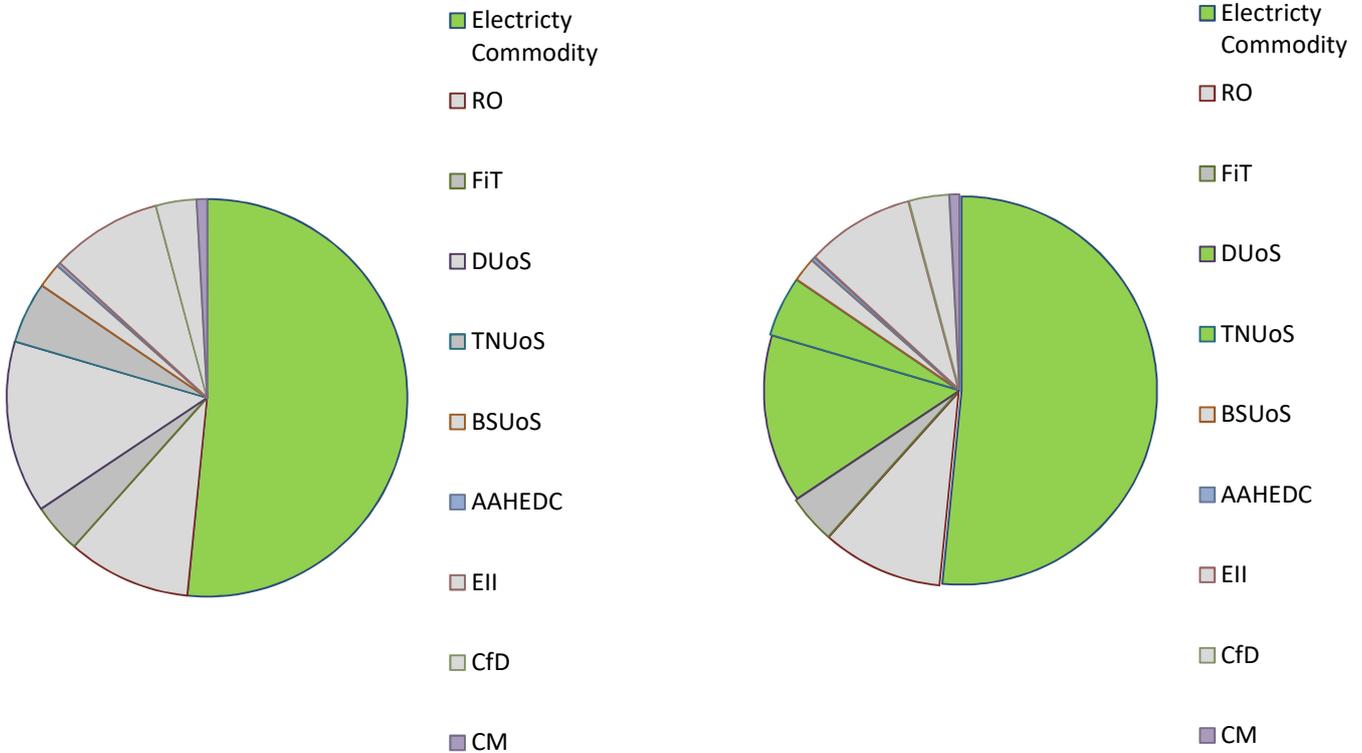
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Cost Management options

Yellow is the element of manageable cost and grey is representative of all other charges that load shift cannot impact. It is pertinent to remember that the only way to manage all elements is to reduce your overall energy usage.

Fixed

Pass-Through



If you require any further information or guidance call us on 0203 068 0000

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