Insight Update

March 2023

Welcome to the latest edition of our update on key market and regulatory news. During a period of unprecedented market change, our intention is to use this as the vehicle by which to keep you regularly updated and provide the insight you would expect from your energy management and sustainability partner.

Given the ongoing volatility in the energy markets we will continue to send additional specific procurement related briefings as and when necessary.

Contents

1 Significant Code Review (SCR)

1st April 2023 will see a new connection charging regime come into effect. Known as the Significant Code Review (SCR) the move to a "shallow connections boundary" from this date will lower the cost of connections to the local electricity network. This will make new supplies and upgrades significantly cheaper.

The introduction of non-firm connections will also enable Distribution Network Operators (DNO's) to connect such customers quicker. The changes are designed to remove barriers to the electrification of transport and commercial heating by making it easier, quicker, and cheaper to add additional electrical load to existing supplies.

2 Targeted Charging Review (TCR)

1st April 2023 will also see the end of triad charges (CT metered supplies) and unit-based transmission charges (whole current metered supplies) for use of the electricity transmission network for many customers in Scotland and Northern England, under changes introduced as part of the Targeted Charging Review (TCR).

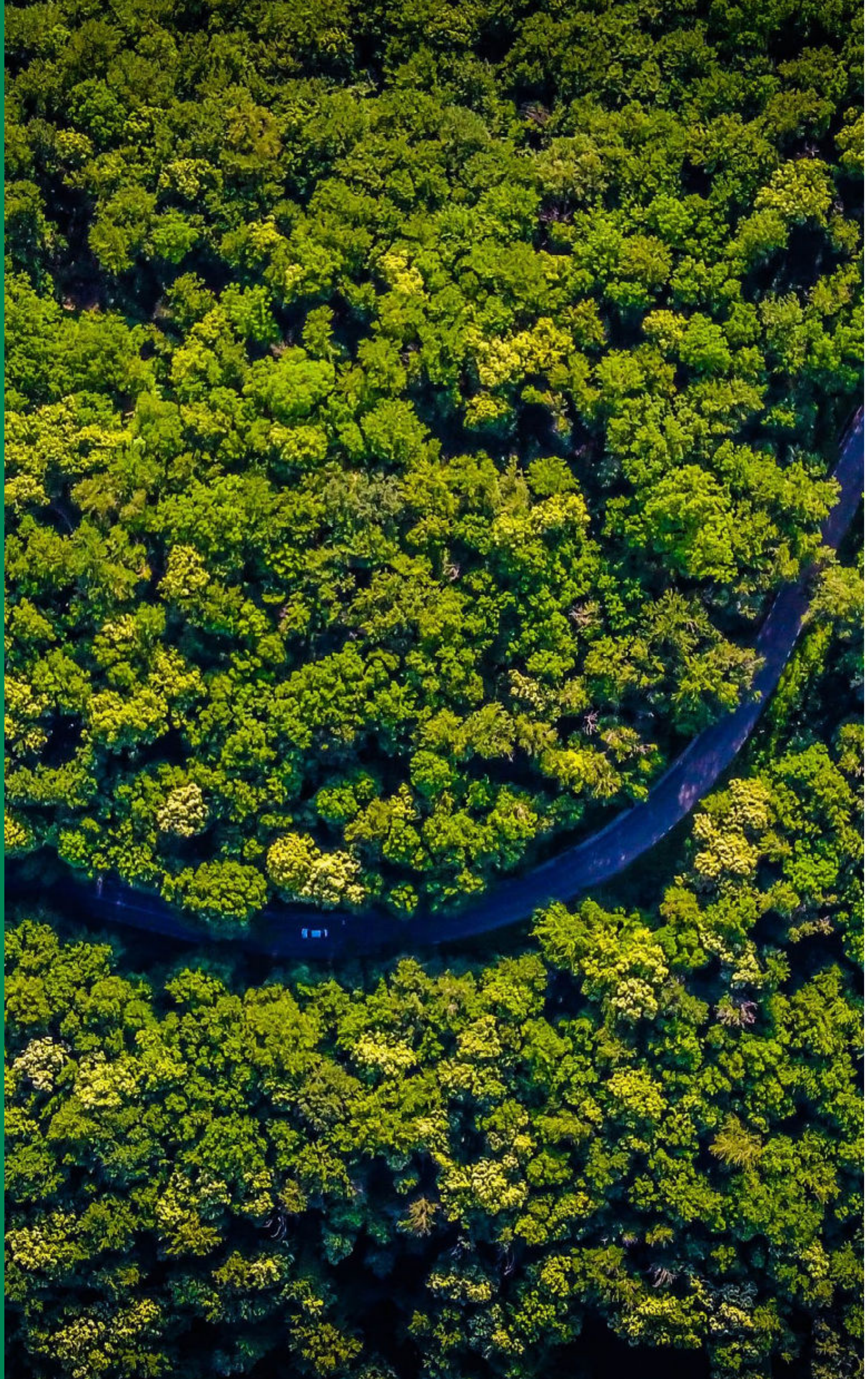
The remaining customers will see these charges fall to a fraction of what they were previously. All customers, however, will experience a newly introduced standing charge which replaces these variable charges and will be based upon the Maximum Import Capacity (CT metered supplies) or Annual Consumption (whole current metered supplies).

3 Triad Season

We are now at the end of this year's triad season on the 28th of February 2023.

Helpfully, Elexon publishes the more likely dates for Triads for the current winter (these are provisional only) and they are shown in the link below:

https://www.bmreports.com/bmrs/?q=demand/peakdemand/tridem



4 Balancing Services Use of System (BSUoS)

1st April 2023 will see BSUoS charges changing from a variable charge calculated after the event to a fixed charge set in advance.

National Grid has published the final fixed Balancing Services Use of Systems (BSUoS) tariffs for the 2023/24 charging year. A rate of £13.41/MWh applies between Apr – Sept 2023, the rate increases to £14.03/MWh from Oct 23 to March 24.

This should result in greater price stability and improve the accuracy of forecasting BSUoS rates over the term of supply contracts.

5 Supplier of last resort charges

We anticipate the April 2023 DUoS charges (originally published in December 2021) will change imminently because of an OFGEM derogation.

This change will affect Domestic Standing charges which will be increased slightly due to the recovery of Supplier of Last Resort (SoLR) costs which have increased because of continued domestic supplier failures.

These charges are applied to the market segments supplied by failed suppliers which are mainly domestic (Profiles 1 & 2). Little or no impact is expected for commercial supplies.

6 Energy Savings Opportunity Scheme (ESOS)

The final deadline for submission under the Energy Saving Opportunities Scheme (ESOS) Phase 3 is 5th December 2023 that's now less than 10 months away.

Many customers have already contracted for their ESOS report with an increasing number of site audits have already been completed. We'd encourage you to read our recent blog on how to make the most of your audit findings.

Although we are carefully planning our resource to fulfil all contracted reports in good time – our auditors time is finite, and we will reach a point in coming months when we will be unable to guarantee compliance by 5th December.

7 Taskforce for Climate-Related Financial Disclosure (TCFD) Reporting

Many companies' fiscal years will end on the 5th of April, with the subsequent months focused on producing annual reports.

As the financial implications of climate change are becoming more apparent, there is an increasing requirement that organisations provide information on their climate-related risks and opportunities to investors and wider stakeholders including the public.

The framework developed by the TCFD aims to make organisations' climate-related reporting more consistent and therefore more comparable. It will also help to assess risk and opportunity, and aid strategic planning and decision making. The additional mandatory reporting requirements apply to organisations employing more than five hundred staff and with a turnover exceeding £500 million. To find out more read here.

8 Capacity Market Auction & Levy

The provisional results of the T-1 capacity market (for delivery between November 2023 and February 2024) were published on the 14th of February.

The provisional results show that around 5,783MW of capacity was contracted at a cost of £60/kW. Both these figures are much higher than the historic norm and reflect the current situation in Ukraine and the Government's ongoing focus on ensuring energy supply security by contracting with all available electricity generators.

The cost associated with the auction is recovered from consumers using the Capacity Market Levy. This includes a small cost for administration plus a much larger cost to pay for the auction itself. For clients with pass-through costs, this is a levy charged for every MWh of electricity that is consumed on weekdays between 4pm and 7pm between November and February. For next winter this will be around £90+/MWh during these periods, but the exact cost is calculated retrospectively.

9 BEIS Restructured

Rishi Sunak's recent cabinet reshuffle created The Department for Energy Security and Net Zero (DESNZ).

The new department under Secretary of State Grant Shapps is focused on the energy portfolio from the former Department for Business, Energy, and Industrial Strategy (BEIS). At this stage there is nothing to suggest that the re-organisation marks a significant shift in government policy or priorities.

10 Consultation on British Industry Supercharger

The Government has announced 300 businesses across the UK will benefit from the British Industry Supercharger: targeted measures to ensure the energy costs for key UK industries are in line with other major economies around the world.

The proposed changes under the Supercharger – set to be consulted on in the Spring – will exempt firms from the certain costs arising from renewable energy obligations such as the Feed in Tariff, Contracts for Difference and the Renewables Obligation, as well as GB Capacity Market costs. The new consultation will also explore reductions on network charges, which are the costs industrial users pay for their supply of electricity. Further details of the announcement are detailed below

https://www.gov.uk/government/news/government-action-to-supercharge-competitiveness-in-key-british-industries-and-grow-economy

The current expectation is that the proposed changes could come into play from April 2024.

Please do speak to your usual Inenco contacts if you need any more detail on the issues we have covered in this edition or email **enquiries@inenco.com**

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