

Mitie Energy Non Commodity Executive Summary

Last Update: April 2022



	Apr 2022 - Mar 2023 Base		Apr 2022 - Mar 2023 (Previous Forecast)		Change %	WHAT IT COVERS	MAIN DRIVERS	HOW IT IS CALCULATED	WHEN IT IS KNOWN
	NON COMMODITY ITEMS	Scenario							
	Transmission Network Use of System (TNUoS)	8.20% (Actual)	9.60% (Forecast)			TNUoS charges recover the cost of installing and maintaining the transmission system in England, Wales, Scotland and offshore. TNUoS charges vary by region and are controlled through price controls administered by Ofgem.	Mainly the scale of investment required to maintain the reliability of the network, by replacing aging equipment and upgrading the network to connect new sources of generation such as wind farms.	Onshore transmission companies are bound by a regulated price control framework (RIIO-T1) under which Ofgem sets the amount each operator receives. Offshore transmission operators are determined via a competitive tender process. These tariffs are regional and do not generally change mid-year.	TNUoS tariffs are published annually by 31 January and take effect from 1 April each year.
	Distribution Use of System (DUoS)	Published (Actual)	Published (Actual)			DUoS charges cover the cost of installing, operating and maintaining a safe and reliable electricity supply within each of the 14 DNO regions.	The amount of investment required to maintain and upgrade each distribution network over the medium term. A price control process run by Ofgem determine the total cost over a medium term of 5 to 8 years. This obliges DNOs to plan their investment programmes to efficiently meet changing consumer demand and accommodate local generation embedded within these networks.	Ofgem sets the amount of money that the DNO can recover from business energy users in order to run their network efficiently through price controls. The approved revenue is charged to business energy users through electricity prices. DNOs calculate their own charges by allocating a break down of their costs within their total allowed revenue. Charges to businesses are based on the type of customer, location, voltage and capacity required.	DUoS tariffs are published 1 year ahead before 1 April when coming effect.
	Small scale Feed-in-Tariff (FIT)	£7.16/MWh (Forecast)	£6.80/MWh (Forecast)			The FIT is a charge on suppliers to fund and promote the uptake of small-scale renewable electricity generation projects in the UK, such as roof-top solar panels.	The primary influential factor in the scheme is the rate of support that Government makes available to each of the eligible technologies. Each additional generator that joins the scheme increases the scheme's cost to electricity business energy users. There are other less influential factors, for example the cost of the scheme is distributed among all electricity consumed. If national demand rises then the scheme cost is spread more thinly and then the cost per unit of electricity consumed is less.	The charge is calculated by dividing the total cost of the scheme by UK supply volume. The scheme's costs are reported to Ofgem on a quarterly basis.	Indicative rates published quarterly. Final outturn rates published by Ofgem in October following the end of each regulatory year.
	Renewable obligation (RO)	£26.83/MWh (Actual)	£26.83/MWh (Forecast)			The RO was the main support framework incentivising renewable generation. The degree of support they must provide is set out by the government each year. The monies collected from the RO charge are ultimately distributed to large-scale renewable electricity projects.	The degree to which Government wishes to encourage renewable electricity generation is the primary influential factor. It dictates the rate at which each technology receives financial support. For each regulatory year Government then forms a view of industry growth based on the support rates available. From this it defines a total financial budget for the industry to receive.	The RO charge is calculated annually, from April to March based on two elements: • Obligation level – the amount of expected renewable generation as a proportion of overall electricity generation within the compliance period, eg 0.29 ROCs per MWh for 2015/16. • Buy-out price - the buy-out price is set by Ofgem and is index linked to the Retail Price Index. The buy-out price for 2015/16 is £44.33 per ROC. The charge is calculated as obligation level x buy-out price – eg in the above example, 0.29 x £44.33, so the Renewables Obligation charge for 2015/16 is £12.86 per MWh.	Obligation level and Buy-out price are issued in October and February respectively before the start of each regulatory year.
	Capacity Mechanism (CM)	£72.91/MWh Peak Rate (Forecast)	£36.28/MWh Peak Rate (Forecast)			Introduced in winter 2017, the Government recovers the cost and pay generators to guarantee the availability of electricity in the future.	The Government will determine target capacities and clearing price via auctions. Increased competition especially from the interconnectors has seen low auction clearing prices which drive scheme prices lower. Higher national demand can cause the cost to decrease as the same amount of money is spread over a larger consumption.	The CM rate is calculated by dividing the total scheme cost for the delivery year (October to September) by the actual total net national demand at Grid Supply Point (GSP) during periods of high demand (4pm - 7pm, Monday to Friday, from November to February).	National Grid runs 2 annual auctions, one to procure capacity for 4 years ahead and the other for the next winter. Actual outturn rates published retrospectively.
	Feed-in-Tariff Contract for Difference (FIT CFD)	£1.13/MWh (Forecast)	£2.06/MWh (Forecast)			The CFD is a new framework designed to support low carbon electricity generators. It replaces the RO scheme as the main vehicle for long-term investment into renewable electricity.	Contracted generators sell their renewable power into wholesale market as usual, but in addition pay or receive an amount for each MWh. This amount is equal to the difference between an individually agreed and fixed "strike" price and the relevant market price (the "reference" price) for that MWh. As the CFD costs are dependent upon wholesale prices, predicting costs is difficult. Should wholesale prices increase, scheme costs will fall, as lower top-up payments are required. The opposite holds true if wholesale prices fall. Wind generation may also affect scheme costs, as higher wind production pushes wholesale prices lower and eligible generators will require top ups.	A quarterly interim rate is estimated based on how much generation will occur and on the total net payments to generators. It will then be reconciled the daily difference between the interim rate and actual cost of the CFD scheme.	LCCC publishes interim rates 2 quarters in advance. Actual outturn daily rates published retrospectively.
	Balancing Services Use of System Charges (BSUoS)	£9.39/MWh (Forecast)	£6.41/MWh (Forecast)			National Grid recovers the cost to balance electricity system.	Intermittent generation such as wind has significantly affected the BSUoS cost in recent years as short term instability caused in generation from this type of generation requires additional balancing actions. Short term power prices are important, as the balancing actions become more expensive to perform. Lastly, higher national demand can push the cost lower, as the same amount of monies is spread over a larger consumption.	The actual cost of balancing actions performed by National Grid in each half hour is divided through by the associated settled volume.	Actual outturn rates published retrospectively
	Assistance for Areas with High Electricity Distribution Costs (AAHEDC)	£0.404/MWh (Forecast)	£0.406/MWh (Forecast)			National Grid recovers AAHEDC to reduce the distribution costs to consumers in Northern Scotland.	Inflation of the Assistance Amount and Administration Amount in line with the Retail Price. Scottish Hydro distribution costs could be increased by significant development within the region. Further increases in embedded generation. Reduced national demand attributable to increased energy efficiency and embedded generation.	National Grid assess the tariff based on total cost of the scheme and energy consumption across all settlement periods.	Final tariff is published in July
	Climate Change Levy (CCL)	£7.75/MWh (Actual)	£7.75/MWh (Actual)			The CCL was introduced as a tax intended to incentivise better energy efficiency for non-domestic users. The electricity rates are set upto 2023. Customers with Climate Change Agreements currently receive a 93% exemption rate from the electricity related levy (83% exemption rate for gas).	From 2019 to 2020, the increases in CCL main rates recover revenue lost from the abolition of CRC and strengthen the incentive for businesses with the greatest potential to save energy. In addition, CCL exemption rate will increase to 93% for electricity (83% for gas) for customers with Climate Change Agreements.	The government announced target tax level for the chargeable year (April to March)	HMRC publishes before 1 April when coming effect.