

# CUSC Modification CMP244

Set final TNUoS tariffs at least 15 months ahead of each charging year

May 2015

welcome



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# Background to the modification

- **Consumers are given 60 days notice of Final TNUoS tariffs which become effective on 1<sup>st</sup> April each year**
- **Those customers who contract before final tariffs are published tend to have a risk premium priced into their quote to manage this uncertainty; the earlier a contract is agreed the higher the risk premium applied**
- **Those customers who contract on variable (TNUoS “pass-through”) terms have said it is problematic for them, in that they cannot hedge or efficiently manage those costs. They can include energy-intensive customers with very small per-unit profit margins.**
- **Suppliers agree that customers do contract up to two years in duration and can agree these terms up to one year in advance of the start date**
- **This can mean that Suppliers must cover the risk of TNUoS uncertainty for up to three years in total**
- **Smaller / independent Suppliers who do not necessarily have a diverse portfolio may be inclined added higher risk premiums to protect them from losses which could be better absorbed by larger suppliers**

# Description of the Modification Proposal

- This modification proposal is requesting that a suitable lead time is given on setting final TNUoS tariffs to allow suppliers to remove or reduce risk premiums that are passed on to customers in their contract terms
- The balance of this proposal is to ensure that the removal/reduction of risk premia applied by Suppliers outweighs any additional costs borne by the Transmission Owners, as Suppliers (and customers, where on fixed price contracts) cannot finance or manage this risk as efficiently as TOs could through an adjusted price control
- CUSC parties are aware that there are several aspects that need to be taken account of for this modification to be successful. i.e. impact of EC838/2010
- This proposal is seeking a minimum of 15 months notice of TNUoS charges ahead of the start of each charging year



# Justification against applicable CUSC objectives

- **This Modification Proposal meets objective (a)**
- **End customers will benefit from lower net costs, as Suppliers will be able to remove or reduce risk premium applied to contracts**
- **This modification will better facilitate competition between Suppliers as there will be the removal of any risk premium in the period where tariffs are known**
- **Generators will also be able to strike forward contracts that are more keenly priced due to the removal/reduction of financial risk created by TNUoS charge uncertainty**



# Questions?



# CMP244 Progression

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- The Panel is asked to agree:
  - Whether CMP244 should be progressed through Self-governance
  - How to progress CMP244
    - Workgroup
    - Code Administrator Consultation

## Indicative timetable (Workgroup)

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<b>29<sup>th</sup> May 2015</b>	Proposal tabled at CUSC Panel meeting
<b>5<sup>th</sup> June 2015</b>	Deadline for comments on Terms of Reference / nominations for Workgroup membership
<b>W/C 15<sup>th</sup> June 2015</b>	Workgroup meeting 1
<b>W/C 29<sup>th</sup> June 2015</b>	Workgroup meeting 2
<b>9<sup>th</sup> July 2015</b>	Workgroup consultation issued for 1 week Workgroup comment
<b>16<sup>th</sup> July 2015</b>	Deadline for comment
<b>21<sup>st</sup> July 2015</b>	Workgroup Consultation published
<b>11<sup>th</sup> Aug 2015</b>	Deadline for responses
<b>W/C 17<sup>th</sup> Aug 2015</b>	Workgroup meeting 3
<b>W/C 24<sup>th</sup> Aug 2015</b>	Workgroup meeting 4
<b>2<sup>nd</sup> Sept 2015</b>	Circulate draft Workgroup Report
<b>9<sup>th</sup> Sept 2015</b>	Deadline for comment
<b>17<sup>th</sup> Sept 2015</b>	Submit final Workgroup Report to Panel
<b>25<sup>th</sup> Sept 2015</b>	Present Workgroup Report at CUSC Modifications Panel

## Indicative timetable (CA Consultation onwards)

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<b>1<sup>st</sup> October 2015</b>	Code Admin Consultation Issued (15 Working days)
<b>22<sup>nd</sup> October 2015</b>	Deadline for responses
<b>29<sup>th</sup> October 2015</b>	Draft Final Modification report issued for industry comment (5 working days)
<b>5<sup>th</sup> November 2015</b>	Deadline for comment
<b>19<sup>th</sup> November 2015</b>	Submission to CUSC Panel
<b>27<sup>th</sup> November 2015</b>	CUSC Panel recommendation vote
<b>1<sup>st</sup> December 2015</b>	Circulate Final Modification to CUSC Panel for comment (5 working days)
<b>8<sup>th</sup> December 2015</b>	Deadline for responses
<b>11<sup>th</sup> December 2015</b>	Submission to Authority
<b>21<sup>st</sup> January 2016</b>	Authority decision due (25 working day KPI)