

Impact of the Optional Charge on Revenue Recovery Rates



UNC Mod 0621 Analysis

Originally produced 10/04/2018

Updated 27/04/2018 updated slides shown with a star



Optional Charge Impacts – Background / Assumptions

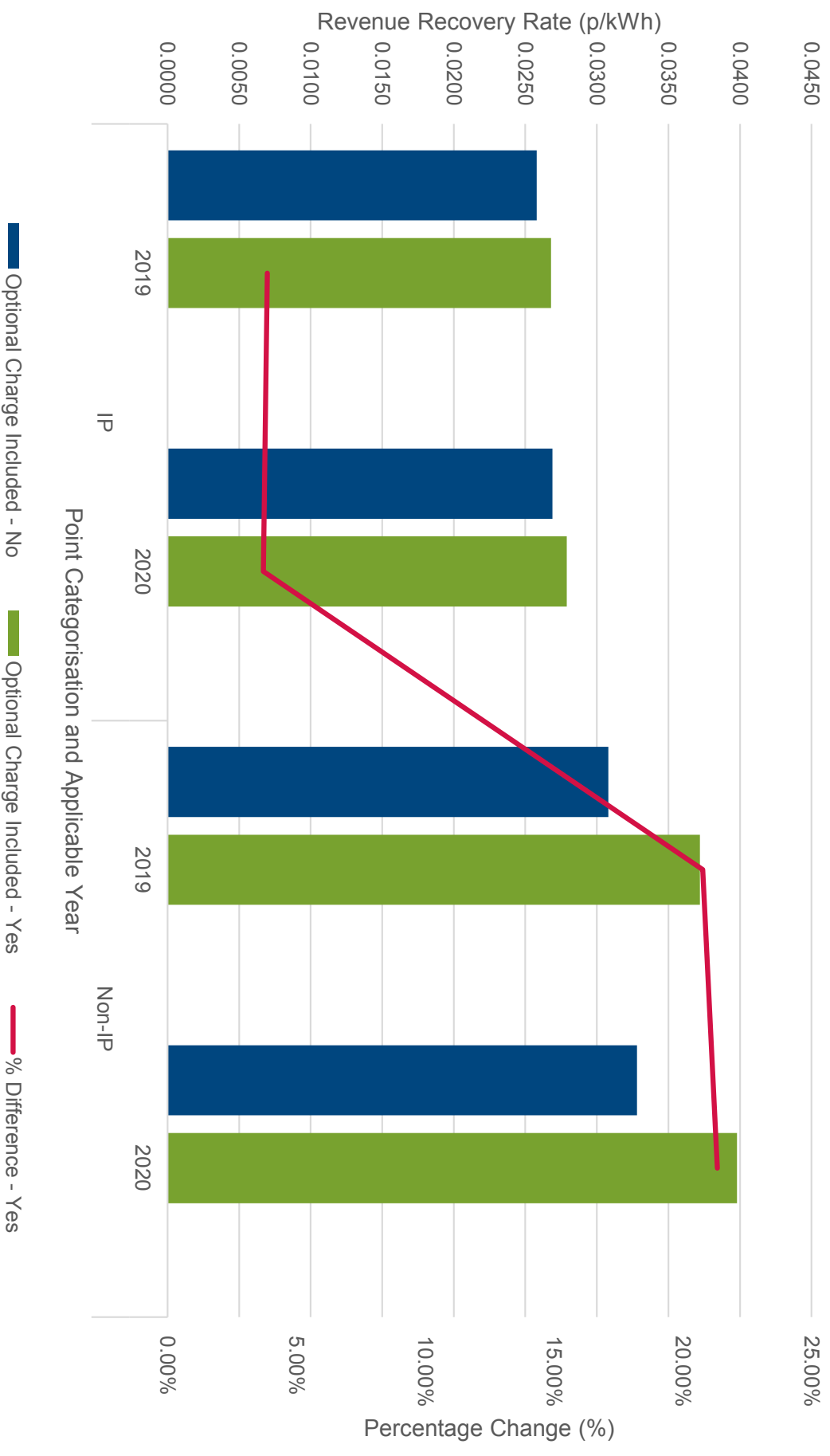
- Analysis List #8
- Assess the impact of the Optional Charge on revenue recovery rates for both Entry and Exit
- Assumptions
 - Used the revenue recovery rates out of the CWD model to identify which current OCC rates would be valid for the new OC rate
 - We have combined the Entry and Exit Non-IP commodity charge to generate a combined rate in the Optional Charge comparison
 - The OCC forecast flows and revenues have been used from the October 2017 charging process
 - RPI has been applied to the Optional Charge Formula, and it is only applicable to routes under 60km distance, in line with the 0621 proposal

Optional Charge Impacts – Optional Charge Inputs

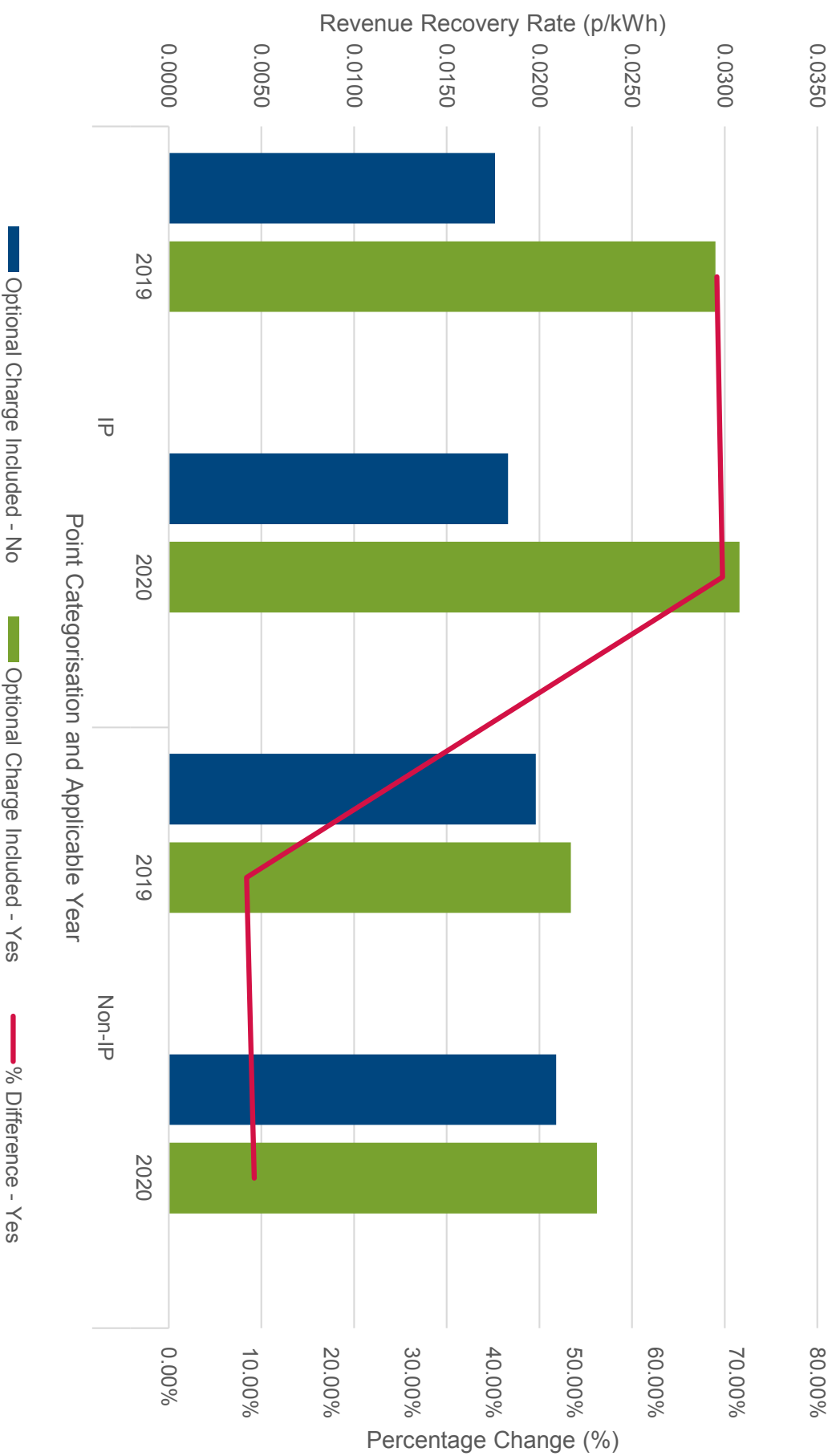
- Due to the different revenue recovery mechanisms at Non-IP and IP the Optional Charge forecast revenues and flows has to be splits into Entry and Exit as well as Non-IP and IP. This allows;
 - Non-IP commodity charge (entry and exit) target revenue and denominator to be reduced by the necessary values
 - IP capacity revenue recovery charge target revenue and denominator to be reduced by the necessary values
- The inputs for the relevant charge are in the table below

	Non-IP Flows (GWh/annum)	Non-IP Revenues (£)	IP Flows (GWh/annum)	IP Revenues (£)
Entry	150,673	£7,351,819	3,832	£189,062
Exit	102,698	£7,253,764	51,807	£285,017

Optional Charge Impacts – Entry Revenue Recovery Rates



Optional Charge Impacts – Exit Revenue Recovery Rates





Optional Charge Impacts – Under-Recovery at Respective Points

- The table below shows the revenue recovery amounts that are estimated to be recovered from standard IP and Non-IP revenue recovery rates when the Optional Charge is included or excluded from the model

		Revenue to be recovered through standard revenue recovery rates			
		IP		Non-IP	
		No Optional Charge	Optional Charge	No Optional Charge	Optional Charge
Entry	2019	£22,947,539	£22,760,577	£236,782,298	£229,430,477
	2020	£23,859,460	£23,672,498	£246,191,876	£238,840,057
Exit	2019	£22,139,787	£21,854,770	£151,806,032	£144,552,269
	2020	£22,942,764	£22,657,746	£157,311,808	£150,058,045