

# 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

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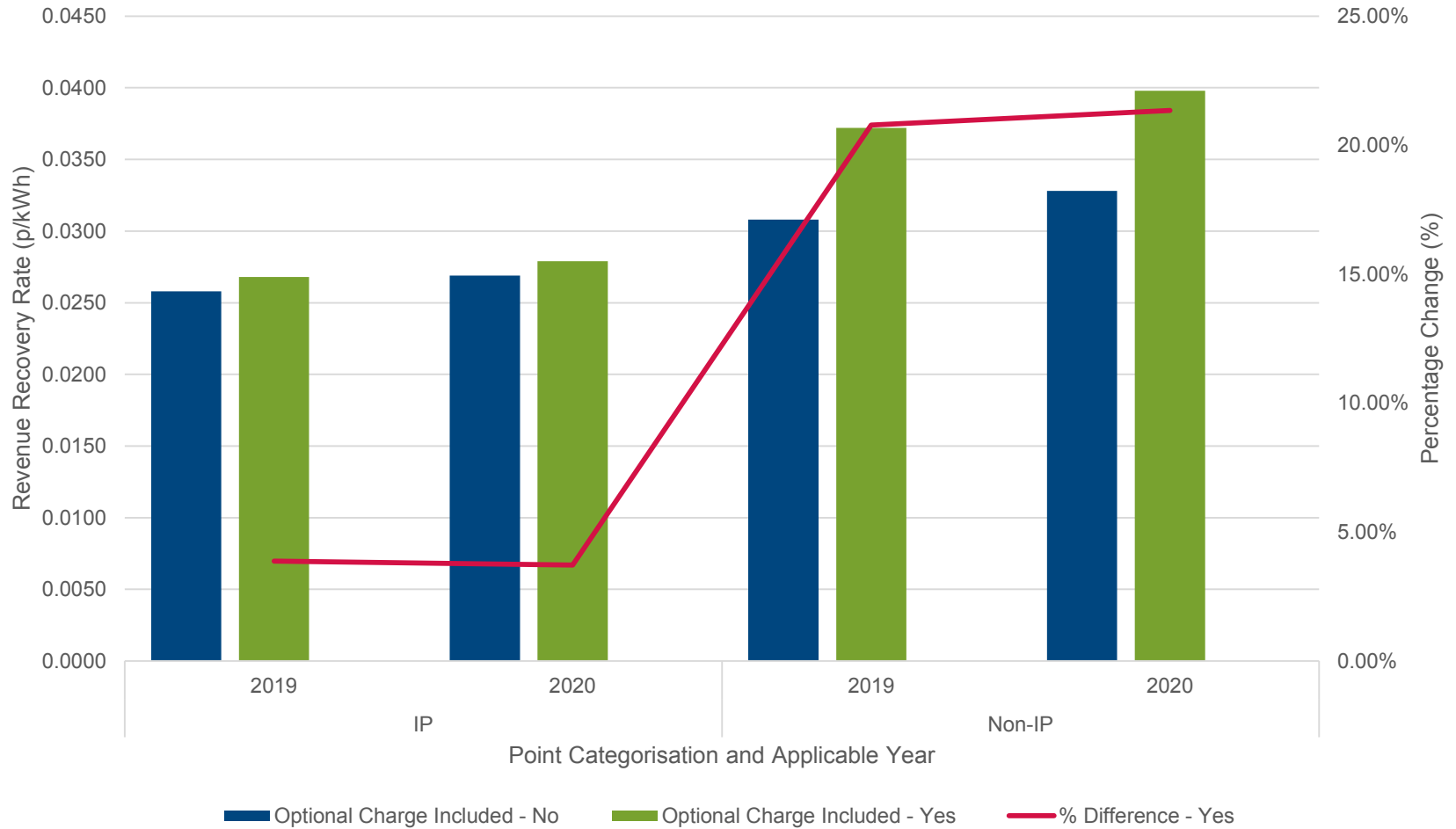
- Analysis List #8
- Assess the impact of the Optional Charge on revenue recovery rates for both Entry and Exit
  
- Assumptions
  - Used the revenue recovery rates out of the CWD model to identify which current OCC rates would be valid for the new OC rate
  - We have combined the Entry and Exit Non-IP 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

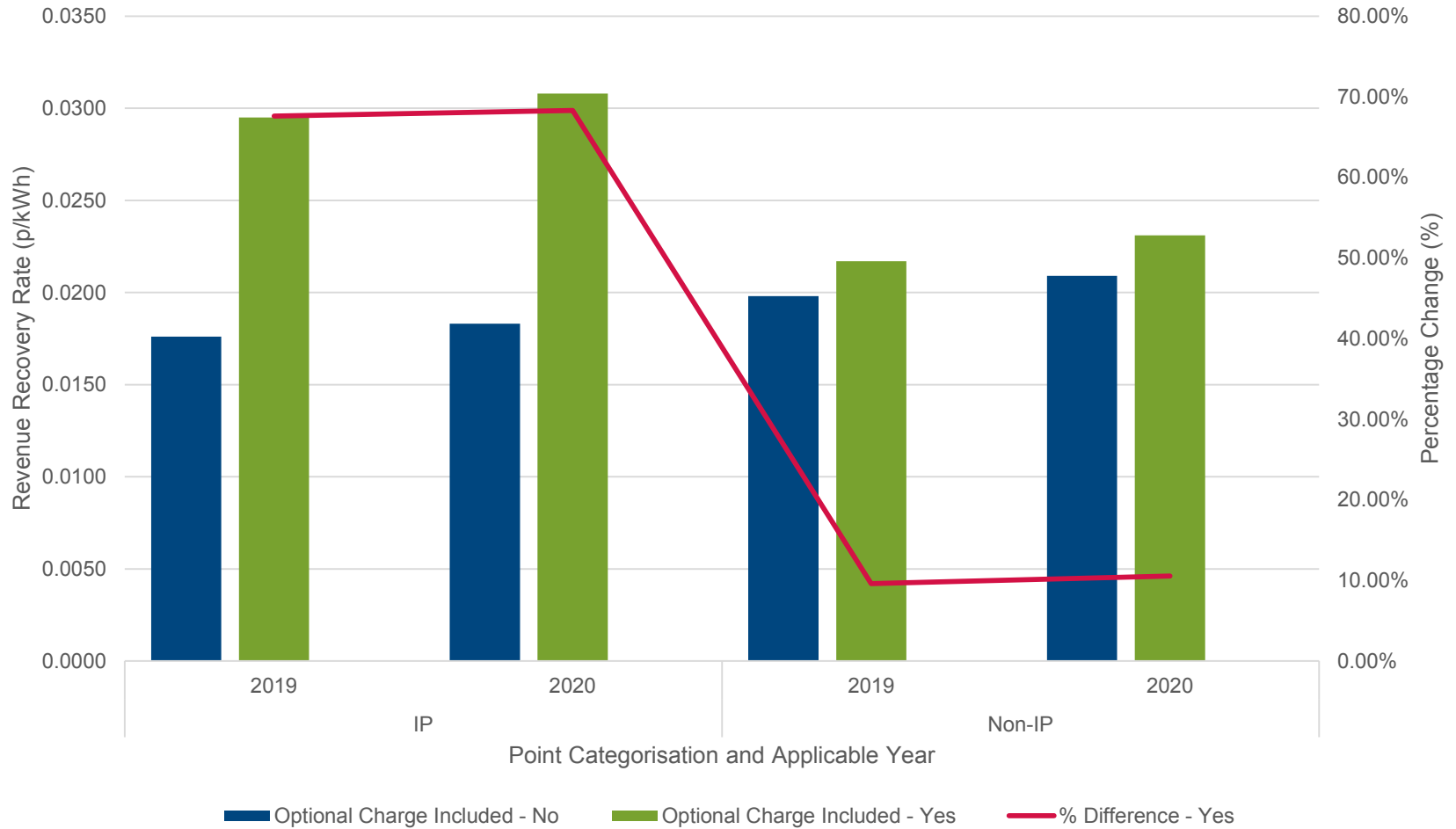
- Due to the different revenue recovery mechanisms at Non-IP and IP the Optional Charge forecast revenues and flows has to be splits into Entry and Exit as well as Non-IP and IP. This allows;
  - Non-IP commodity charge (entry and exit) target revenue and denominator to be reduced by the necessary values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



## Summary

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- On Entry
  - Influence of the NTS Optional Charge greater on revenue recovery rates at Non Interconnection Points compared to Interconnection Points
  - Interconnection Entry flows are not a significant % of overall Entry flows
  
- On Exit
  - Influence of the NTS Optional Charge greater on revenue recovery rates at Interconnection Points compared to Non Interconnection Points
  - Due to the large % of IP Exit flows as a proportion of overall Exit flows
  
- It is necessary to take account of the NTS Optional Charge with the revenue recovery charges at Interconnection Points and Non Interconnection Points due to the nature of the charge being applicable between two nominated points.
- This ensures that the NTS Optional Charge is accessible and works with the proposals for 621 for the revenue recovery charges.