Third Party Charge
FORECAST SPECIAL EDITION

SUMMER 2020

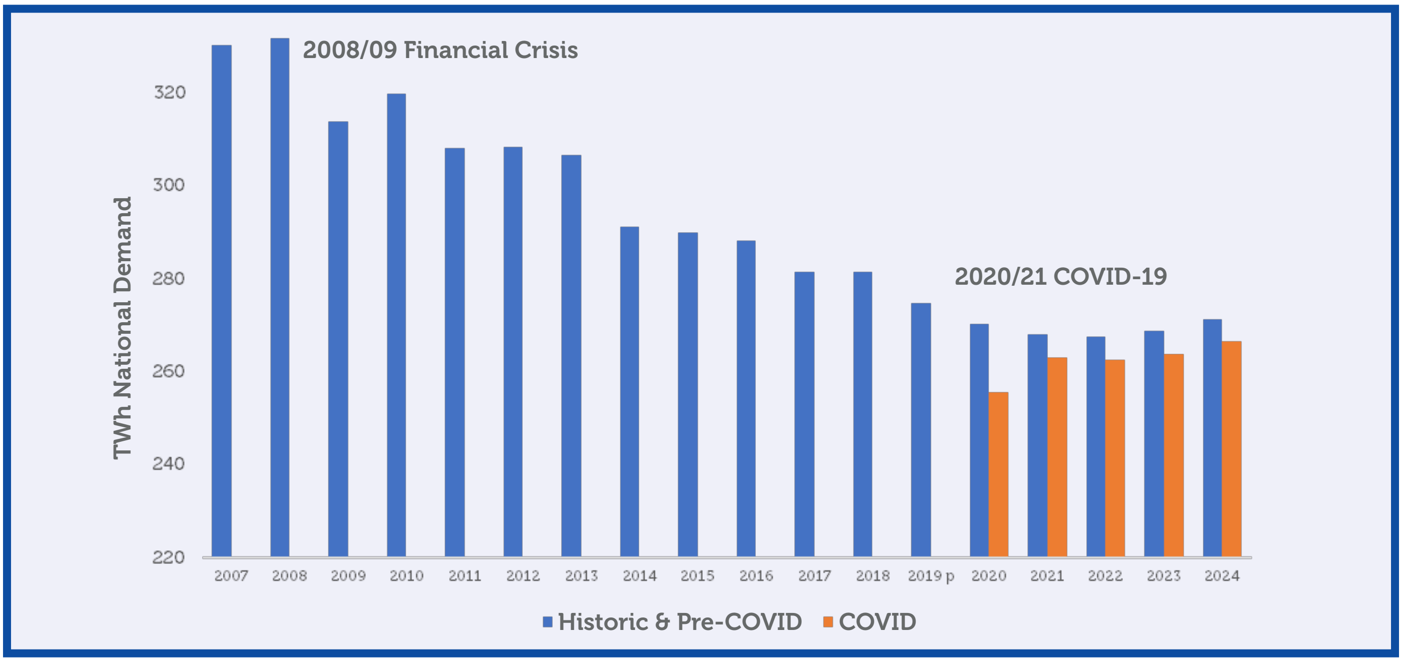
Covid-19 Lockdown Demand Scenario

Over the last decade we have witnessed the gradual reduction of GB electricity demand despite a growing economy and population. The reasons for this are mainly due to energy efficiency measures, a good example of which was the introduction of LED light bulbs. Other factors are thought to include changes in customer behaviour and possible movement of domestic manufacturing.

The Covid-19 Lockdown which began officially on the 23rd of March 2020 introduced an unprecedented and extreme change in customer behaviour and electricity usage. Whole sectors of businesses and manufacturing have paused, and workers have transitioned away from offices and are now working from home. Although domestic consumption may have increased due to the amount of the population now staying at home, it has been far outweighed by the loss to the impacted sectors.

At the time of writing, the lockdown is being eased in England and soon to be eased in Wales Scotland and Northern Ireland. There is uncertainty regarding how electricity demand will recover during each government recovery phase and whether we will see it return to pre Covid-19 forecast consumption levels as we transition out of the full lockdown period. The government have advised that this is not only a short-term crisis but that there will also be longer-term impacts with economic downturn.

Total Gas & Power are continually looking at future demand scenarios. Our latest view is below.



TOTAL

SUMMER 2020

Covid-19 and why it is increasing Non-Commodity costs

Most non-commodity scheme costs are socialised via eligible customer consumption and any reduction in demand is bad news for non-commodity rates because of the smaller base from which they are recovered.

Due to the Lockdown we will continue to see an unfortunate rise in Non-commodity rates for 2020/2021 and some a smaller longer lasting impacts into the near future.

Immediate impacts will be reflected in the below charge elements:

BSUoS

In combination with lower eligible consumption BSUoS costs are rapidly increasing due to the actions and commercial services National Grid are arranging to deal with the exceptionally low demand during lockdown to ensure the network remains stable. National Grid estimate an increase of £500m for BSUoS costs compared to summer last year.

Contracts for Difference:

In combination with the overall lower volume of eligible demand, CfD scheme costs are expected to increase due to the lower than expected wholesale power price as a result of the suppressed demand, increasing the amount of cost to be 'topped up' to meet CfD generators contract reference prices.

Feed in Tariff:

Scheme costs will remain at their expected levels however the eligible consumption for 2020/21 will be reduced causing the supplier rate to increase.

2020/21 Table – Immediate impacts

2020/21 Charge	High	Medium	Low
BSUoS p/kWh	0.25	0.15	0.05
CfD Obligation p/kWh	0.07	0.04	0.02
Feed in Tariff p/kWh	0.07	0.05	0.04

Based on the above medium scenario a Large Non-Domestic customer with an annual electricity consumption of 50 GWh may see an increase of outturn of costs in the region of £90,000 to £130,000 for this period. Please note this is highly uncertain and subject to the many variables as mentioned above.

Further Impacts

Renewable Obligation: The Obligation and Buy out price for 2020/21 have been already set for this current year (Supplier Rate 2.357 p/kWh), however OFGEM will publish the obligation level for 2021/22 in September 2020 and a reduced projected RO demand base may be factored into the calculation.

Transmission and Distribution charging: Network operators can recover any under collection of their allowed revenue two years after the current year. Under collected costs due to the reduced demand are likely to be factored into the 2022/23 network rates.

Capacity Market: Reduced demand in winter 2020/21 will increase the share of costs for those who do consume during the CM period 16:00 to 19:00 November to February, working days.