



Press Release

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Revised Ofgem Network Charges Will Change Energy Management Model for Industry

Major changes to network charging methodology announced by Ofgem look set to increase energy costs for industrial and commercial users from April 2021.

New Stream Renewables, a specialist renewable energy market advisor, energy risk manager and operator for distributed energy assets across the UK, says that procurement and energy risk management models will have to change and there could also be a boost in interest in battery storage.

Ofgem has confirmed that from April next year the residual element of transmission network charging will be moved from demand to a fixed charge based on a customer's recent *annual* demand. In addition, from April 2022, distribution network charges will move to a fixed charge based on capacity.

These changes are likely to have a major impact on industrial and commercial energy bills.

Said Charlie Ward, Head of Renewables at New Stream: "Currently, transmission charges are based on usage during the three highest winter peaks, commonly known as Triad charges. We help larger power users manage their demand through peak power periods by load-shifting, but the changes in charging methodology announced by Ofgem will make it expensive for businesses to carry excess capacity.

"Part of the problem is that the new charging rates have not yet been published, and there is also little understanding in the wider business community that many industrial and commercial users are going to face additional costs that they have not seen for 20 odd years.

"In light of this, we are working with our clients to model strategies that can mitigate the impact of these structural changes. This includes exploring distributed generation – such as battery storage – to help businesses with very 'peaky' consumption to smooth out peaks. It's very important that we receive visibility of the new charging rates as soon as possible so that informed investment decisions can be made."

Ofgem's new charging methodology:

- From April 2021, the residual element of transmission network charges will be moved from demand to a fixed charge based on a customer's recent annual demand
- From April 2022, distribution network charges will also move to a fixed charge based on capacity
- Ofgem has created 4 bands based on site capacity and voltage connection
- The higher the site capacity, the higher the pricing band

Commented Gareth Goodall, Head of Trading at New Stream: “On the generation side, it’s going to be really interesting to see what happens because the “Triad” system has given a great incentive to run distributed generation through the peak when there isn’t necessarily a price signal. Only time will tell just how spikey winter peak pricing will get without that additional generational supply onto the system.”

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Ends

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Notes to editors

New Stream Renewables is a specialist consulting and support services group operating across renewable energy markets. They work with independent energy generators such as large landowners, farmers and private equity companies to take the energy they are producing to market by maximising the value of Power Purchase Agreements (PPAs) through tenders. They negotiate with a wide cross section of suppliers, including the big six.

New Stream Renewables is an independent company, enabling them to provide clients with increased market flexibility and access to the entire energy market.