

Supplementary Answer Form

Project: OSEAIT

Tick if this answer has been provided verbally: ☐

Project code	NGET_OSEAIT	Question Number	25
Question date	17 September 2015	Answer date	22 September 2015
Submission section question relates to	Section 7		
Topic	Regulatory Issues		
Question	Please can you explain the impact on consumers if you deviate (or not) from Standard Licence Condition B9?		
Notes on question			
Answer	<p>The deviation from Standard Licence Condition B9 is only relevant when granting access to the facility to other GB licensees. If we don't deviate from Standard Licence Condition B9 we will have to charge other GB licensees on normal commercial terms. If we were to deviate from Standard Licence Condition B9 we would be able to just charge GB licensees for the additional consumables required for the project.</p> <p>Charging on a cost basis would significantly benefit the licensees' ability to progress innovation projects of value to consumers, as a greater number of innovation projects are likely to be possible within a finite innovation budget.</p> <p>The following example is intended to illustrate the impact on consumers from permitting derogation from Transmission Standard Licence Condition B9.</p> <p><u>Illustrative Scenario</u></p> <p>During the NIC project period another GB licensee (Licensee A) wishes to access part of the facility to conduct trials of their own. Licensee A will recover the costs of the trial through their Network Innovation Allowance.</p> <p>Condition B9 requires NGET to enter into arrangements such as this on an arms-length basis on normal commercial terms. The normal commercial cost for the access required by</p>		

	<p>Licensee A is £500k.</p> <p>The actual OPEX (staffing, energy etc) cost to the facility during the NIC project period has been covered by the NIC funds and the additional consumerables required for the duration of Licensee A's trial is £100k.</p> <p><u>Implications for consumers without derogation</u></p> <p>Without derogation, Licensee A pays £500k to the facility and recovers 90% of this through their NIA, i.e. consumers funding Licensee A's NIA project pay £450k through Licensee A's NIA costs.</p> <p>The £400k revenue is paid into the NIC bank account. This is used to offset the NIC funding contribution as any unspent funding is returned to consumers at the closure of the NIC project.</p> <p>The net result is that £400k allocated to Licensee A to undertake innovation to benefit the consumer has been passed back to the consumer in form of reduced TNUoS charges at the end of the NIC period.</p> <p><u>Implications for consumers with derogation</u></p> <p>With derogation, Licensee A pays £100k to the facility to cover additional consumerables. Consumers pay 90% of this, or £90k.</p> <p>The facility does not make any revenue from Licensee A's project and therefore no money is paid into the NIC bank account. However Licensee A still has the additional £400k to invest in other innovation projects.</p>
Attachments	