

Appendix 1 - E.ON UK Assessment of costs and benefits if interruption option

Key issues	1	2A	2A*	2B	2C	3
Promoting economy and efficiency						
• No undue discrimination	×	✓	✓✓	✓✓	✓✓	✓✓✓
• Freedom to contract	×	✓✓	✓✓	✓✓	✓✓✓	✓✓✓
• Efficient investment signals ¹	£0m	£34m	£34m	£34m	£34m	×
• Efficient system operation decisions ²	£0m	£12m	£12m	£12m	£12m	£12m
• Implementation and admin. costs	£0m	-£20m	-£15m	-£28m	-£33m	-£40m
Security of supply						
• Long-term security of supply ^{3,4}	✓	×	×	×	×	×
• Short-term security of supply ³	✓	×	×	×	×	×
Impact on customers						
• Customer choice	✓	✓✓	✓✓	✓✓	✓✓✓	✓✓✓
• Complexity	✓	×	×	×	×	×
• Distributional effects and fuel poverty						
Effect on competition						
• Retail gas competition	×	✓	✓	✓	✓	✓
• Competition in interruption services	×	✓	✓	✓	✓	✓
• Wholesale electricity competition ³	✓	×	×	×	×	×
Total NPV	£0m	£26m	£31m	£18m	£13m	-£28m

¹ E.ON UK consider that the supply of reliable economic interruption to enable network owners to forgo some network investment will be similar under all non base case unconstrained scenarios. We consider however, that the overall supply of interruption will significantly reduce as many customers seek to go firm as the benefit of interruption status diminishes and the risk of interruption increases. We believe that this will be partially offset by some users offering more interruption and more flexible interruption. Under the constrained option 3 we consider that risk adverse behaviours will drive shippers to 'overbook' exit capacity leading to inefficient economic signals.

² E.ON UK assumes the targeting of interruption at users that have signalled a greater willingness to be interrupted rather than use of an 'equitability algorithm' will bring similar benefits under all non base case options.

³ A number of power stations take occasional back-up supplies from the Transco system using an interruptible service. Such users will not be able to offer useful interruption service to Transco. Going firm would be prohibitively expensive and security of electricity supply would be diminished if such supply points chose to cease to generate rather than take back-up supplies from the national network.

⁴ Greater routine reliance on interruption instead of investment in network capacity could reduce longer term security of supply as failure to interrupt becomes more common place.

