



## **Statutory consultation for adjusting the Electricity Market Reform Delivery Body Incentives and mechanisms to recover uncertain costs – E.ON response**

Thank you for the opportunity to comment on your proposal to modify National Grid Electricity System Operator's Electricity Transmission Licence to install an Uncertainty Mechanism for funding adjustment and on the removal of the DSR incentive.

### *Funding - Uncertainty Mechanism (UM)*

We are broadly in support of introducing an Uncertainty Mechanism to ensure appropriate funding is allocated for the development of the new Portal that the EMR DB is in the process of delivering. However, we believe the additional costs of the new IT system should be appropriately estimated before a decision is made. It is entirely unreasonable that this statutory consultation is taking place before the system has been scoped or tendered. Suppliers deserve a more reliable indication of the costs they could be liable for.

We firmly believe the mechanism must include a cap at a suitable level.

### *UM Cost Implementation*

We understand that the additional funding requested through the UM will be charged through BSUoS, which is calculated and billed based on SF and RF settlement runs that are 14 months apart making it very difficult to forecast and pass through costs appropriately. For this reason, the majority of additional costs should be built into the SF settlement run in order to facilitate the allocation of any variation in charges to the relevant industrial and commercial customers and for an appropriate allowance within the default tariff price cap; as we have stated elsewhere, allowances in the cap are already often insufficient to meet suppliers' costs, and headroom is already significantly utilised.

We propose this should be carried out through an estimate in 2020/21 SF rates with a true-up in 2020/21 RF run, or based on actual values in 2021/22 SF rates.

Alternatively, the additional costs could be added to a RIIO-T1 price control closeout process if implemented, and later be incorporated into RIIO-T2 allowable revenues.

### *Outputs and Incentives*

We recognise the need for the incentives to be updated and agree that the DSR incentive removal is appropriate and should not have significant adverse effects.