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Energy UK – initial thoughts on MOD 0621 decision

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Initial Thoughts

- Implementation of TAR NC by end of May very challenging!
- What is the plan going forward?
- We would like to see analysis referenced in decision letter published?

- No decision:
 - Extends market uncertainty
 - Has commercial consequences
 - May have legal consequences
 - Impacts trading positions
 - Impacts system developments - Xoserve and Shipper

Observations

- Mention of Electricity TCR but that only considers residual charges, there are no plans to remove locational charging
- Cost reflectivity is less relevant ? But is a requirement of TAR NC and NG licence
- A jump in charges at implementation is more acceptable at the start than with longer notice after a transition period ?
- Existing contract price protection not clear if fixed capacity price or avoidance of any 'top-up' charge

- Welcome recognition of impact of netting-off of Existing Contracts

Not considered in Ofgem decision letter

- Relevant objectives
- Security of supply
- Wholesale prices
- Customer welfare
- Interruptible charging
- Relevant flow scenarios
- Transfers of existing capacity and fixed price protection

Next Steps

- A plan for new Mod, ACER consultation, Ofgem IA with timescales
 - Xoserve update on system development dependencies
 - Analysis of impacts developed by workgroup
 - Ofgem role?
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- Align implementation with RIIO2?