Apollo Energy Energy Procurement

Electricity Price Components Explained

Whilst the cost of wholesale electricity is an important part of your overall bill, the non-energy costs are now also very significant and rising.

Non energy costs are payable to third parties for the operation and maintenance of the networks and are made up of various obligations and levies set by the Government and regulator, Ofgem.

Currently they make up 55% of your delivered electricity rate, this is due to rise to 60% by 2020.

Fully fixed contracts help to protect you from any budget uncertainty in these charges throughout the duration of your contract.

Alternatively, you can opt to 'pass through' these charges – this will mean that your base rate is lower, however there is no protection against rising non-energy costs and your charges will be adjusted accordingly to the published rates.

The non-energy charges which you may see on your invoices are defined below.

Non Energy Costs	
Contracts for Difference (CfD) Suppliers are now obliged to financially support low carbon electricity generation. This is delivered through the new CfD charge which is calculated retrospectively.	**Renewable Obligation (RO)** The RO is currently the second largest non-energy cost – it covers the suppliers' obligation to support renewable electricity generation. CfD's will gradually phase out the RO scheme.
Transmission Use Of System Charges (TUoS) These costs represent the cost of transporting electricity from the Power Station to the regional Distribution Networks. These charges are regulated by the National Grid.	**Balancing Services Use of System (BSUoS)** These costs represent the National Grid's need to ensure that generation exactly matches demand. Wind generation has a large impact on BSUoS charges due to its volatile generation expectations.
Distribution Use of System (DUoS) These charges represent the cost of distributing electricity (i.e. through overhead and underground cables) from the Distribution Networks to the end user, i.e. your business.	**Feed in Tariff (FiT)** This charge covers the obligation for suppliers to support, and fund, small scale renewable electricity generation projects.
Capacity Market (CM) This is a mechanism which provides remuneration for generators which are able to deliver energy at peak times. The level of payment is determined through auctions.	**Energy Intensive Industries (EII)** This charge is currently awaiting approval. Energy Intensive Industries would be eligible for a partial exemption (possibly up to 85%) from Renewable Obligation and Feed in Tariff charges. The lost revenue due to these exemptions would be spread across all non-exempt businesses and households. Currently, the exemption is managed through a cash compensation scheme; the proposal is to become a direct exemption scheme through the supplier.

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