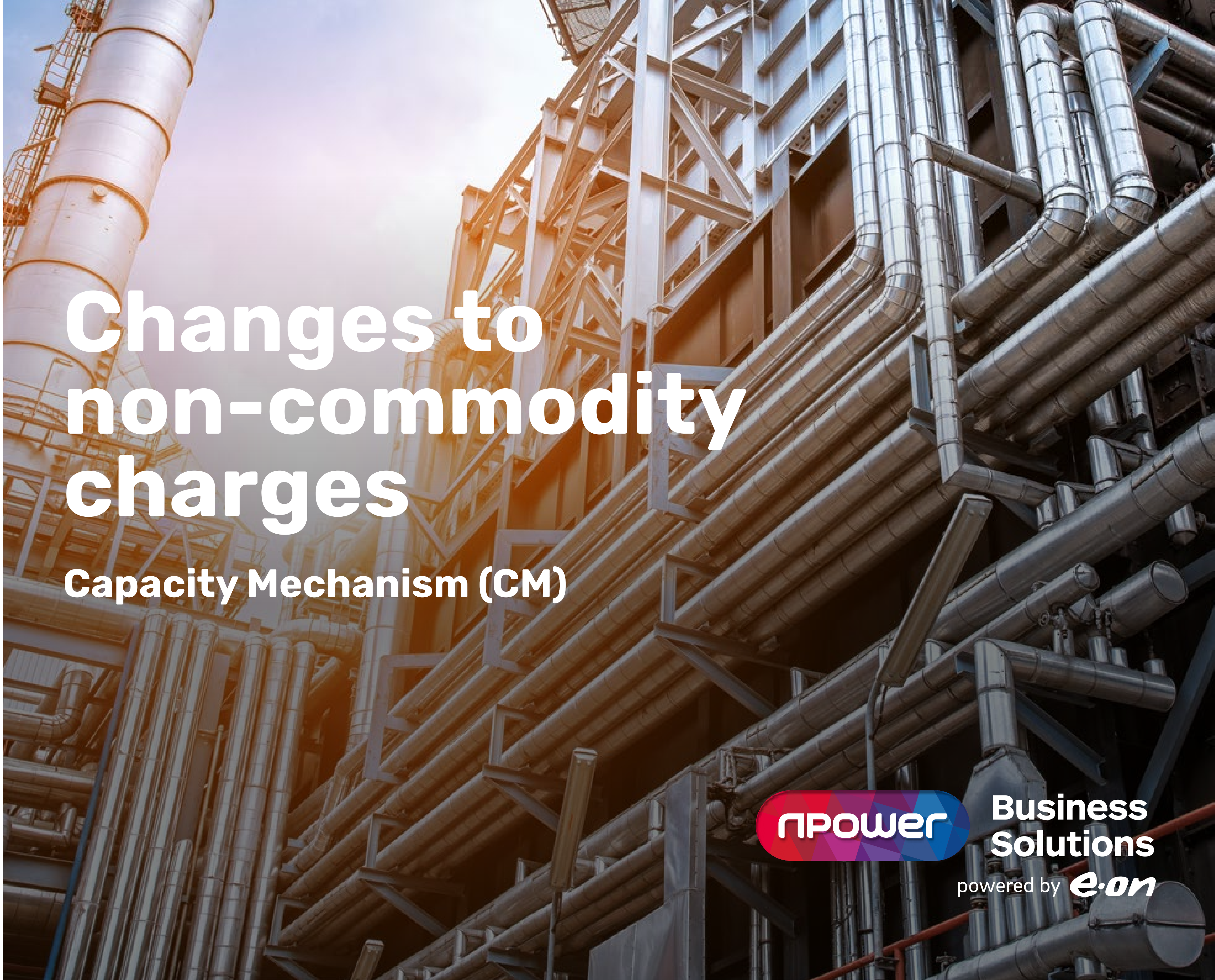

Changes to non-commodity charges

Capacity Mechanism (CM)

npower Business Solutions
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Capacity Mechanism (CM)

The CM is designed to make sure we have sufficient power available to meet our future needs

How is it charged?

- For both Half-Hourly (HH) and Non-Half Hourly (NHH) the cost will either be fully passed through with reconciliation or fixed into the energy charges
- CM is made up of two elements, Operational Costs Levy and Obligation Levy:
  - **Operational Costs Levy** reflects the running cost of the scheme set by the Electricity Settlement Company (ESC). This is a fixed unit rate per kWh for each 12-month period.
  - **Obligation Levy** reflects the costs of the capacity auctions (Demand Side Response (DSR) and generation), this will be calculated based on consumption during the winter peak period (November to February between 16:00 and 19:00 on working days). This will initially be charged using a forecast price and forecast consumption, and applied to each invoice period throughout the year, then reconciled on actual consumption and price.
- We will calculate an Estimated Annual Consumption Volume (EACV) as a kWh value, this is the expected volume at National Balancing Point (NBP) for the Meter Point Administration Number (MPAN) across the winter peak period
- The EACV is divided by the number of days in the year, then multiplied by the number of days in the invoice period. This kWh is multiplied by the forecast Obligation Levy price

How will it appear on my invoice?

- Your pass-through charges will appear on invoices in the 'Government and regulatory levies' section under a heading of 'Capacity Mechanism (CM)'
- There will be separate lines for Operational Costs Levy and Obligation Levy charges
- The Operational Costs Levy is charged against the kWh at NBP for each MPAN on each invoice period
- For Obligation Levy, the forecast charge will be calculated and charged for each invoice period between April and March
- When the actual price is known, a reconciliation will be applied based on the actual consumption used during the winter peak period
- A line crediting back each forecasted charge and a line invoicing the consumption at the actual prices for each period will be applied to your invoice
- The total actual consumption is divided by the number of days in the year, then multiplied by the number of days in each invoice period

What are the key differences?

- The charge will be invoiced at NBP level - previously at Grid Supply Point (GSP)
- The Obligation Levy will be applied throughout the year on each invoice, based on an EACV, not just on the November to February invoices
- From your next energy charges period or renewal, we will have the ability to ss-through and reconcile CM for NHH accounts in the same way as HH. NHH volume will be based on an HH profile curve
- Charges will be calculated, applied and displayed at MPAN level, not account level
- Within the invoice containing the reconciliation, each invoice period invoiced on the forecast rate will be credited back individually
- Following migration, any historic periods invoiced from our legacy system on a forecast price will be reconciled in the new account management system