

The cost of delivering electricity and your business' electricity prices.

Today the second largest component – some 30% – of your electricity price is for delivery which covers keeping the grid well maintained and in balance. This guide outlines the three main elements and explains why this is a rising proportion of your costs and more difficult to forecast.

In many ways they are the unsung heroes of the UK's electricity market. The UK's transmission and distribution networks work tirelessly to deliver electricity from where it's produced to where it's needed, and keep the whole system in balance. This safe, reliable access to power that British business relies on needs to be paid for.

In 2012/13 Britain's homes and businesses paid some £8bn for the delivery of their electricity through three different 'use of system' charges:

1. TNUoS for the transmission network
2. DUoS for the distribution network
3. BSUoS for the balancing system

These are normally included in the standing charge or unit rate rather than itemised on your bill.

To cover the investment requirements and the complexity of managing more intermittent generation on the grid, this cost will rise and become increasingly volatile. This is our best view of how these costs will change over the next few years.

1. TNUoS charges

Ofgem, the energy market regulator, has approved plans from the operators of the transmission networks in Scotland, England and Wales to invest £23bn from 2013 to 2021. This will fund replacing aging equipment and also the work to connect new sources of electricity generation, such as wind farms, to the grid. It's forecast to push up the TNUoS cost to energy users from 2.2bn per year in 2013 to around £3.7bn by 2021.

2. DUoS charges

Ofgem is reviewing distribution network companies' proposed plans to invest £32.5bn upgrading their networks from 2015 to 2023. At this stage DUoS costs to energy users are forecast to rise from £5bn in 2012/13 to over £6bn by 2017.

3. BSUoS charges

Keeping the system in balance means making sure that the supply of electricity constantly matches demand. This cost has also become more volatile. The BSUoS element doubled from around £400m in 2007/8 to over £800m in 2008/9. It then more than halved to around £300m in 2010/11 before doubling again to exceed £800m in 2012/13. It is forecast to be a little under £1bn in 2013/14.

What this means for your contract

The extent of change in this part of the electricity market is unprecedented. That makes it more difficult for suppliers to accurately forecast what these costs will be in future.

So check the next contract you consider is clear about:

- **How these costs are presented.** Are they fixed within your standing charge or unit rate or are they adjusted as the grid operators confirm their charges (sometimes called a 'pass through' method).
- **What happens if these costs turn out differently to the supplier's forecast.** Will the supplier cover the difference or ask you for an extra payment through a 'claw back' charge.

