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# Energy News



## Third party costs are on the increase

Non-commodity costs, also known as third party costs, are increasing year-on-year. That's the verdict from Utility Team's Ben Mason

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## James Rant talks to Coventry2021

I am personally really proud to be associated with the message behind Coventry, UK City of Culture 2021; it is an important one.

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## Third party costs are on the increase

### Ben Mason, Corporate Pricing Analyst

Non-commodity costs, also known as third party costs, are increasing year-on-year.

That's the verdict from Utility Team's Ben Mason, who says the fees, which include the other charges that make up the energy bill that are not for electricity itself, now constitute as much as 60% of a typical energy bill.

These compulsory charges cover the cost of delivering electricity, balancing the grid and running the network, as well as including taxes to support renewable energy development and cut carbon emissions.

He advises large energy end-users should secure their energy contracts as far as possible in advance to lock-in prices and avoid paying higher rates in the future.

The main non-commodity costs include charges such as the Transmission Network Use of System (TNUoS), Balancing Services Use of System (BSUoS), Distribution Use of System (DUoS), Renewable Obligation (RO), Contract for Difference (CfD), Feed in Tariff (FiT) and Capacity Market (CM).

TNUoS charges pay for the transmission system – based on electricity demand during the Triad periods, they make up around 4.1% of total bills. DUoS charges contribute a massive 16% share of costs and are spent on the cost of installing, operating and maintaining a safe and reliable distribution network.

Likewise, BSUoS fees are paid to National Grid to recover the cost of operating and balancing the electricity system. Making up around 1.9% of costs, they are often volatile, particularly when demand is low and the impact of intermittent renewable generation is greatest.



The RO scheme to support large-scale renewables closed to all new generation in March 2017. Despite this, it still makes up 16.8% of non-commodity charges, paying generators for every MWh of renewable energy they produce.

The FiT subsidy pays up to £140/MWh to smaller generators of eligible low carbon and renewable power – this figure can prove volatile as most installations are solar, so depend on the amount of sunshine.

The Climate Change Levy (CCL) is a tax on energy that aims to encourage businesses to reduce carbon emissions and become more energy efficient. Rates are expected to jump by 46% to £8.47/MWh in 2019/20 as the government seeks to recover a shortfall in revenue.

The Department for Business, Energy and Industrial Strategy (BEIS) has issued a consultation into whether it should widen eligibility criteria for Energy Intensive Industries in future – the expected impact on customer bills is likely to be around £0.20-£0.60/MWh across the Contracts for Difference, FiT and RO schemes.

Ben Mason of Utility Team said: “With these charges forever rising I would recommend locking out for as long as possible to be protected from the future increases.”



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## James Rant talks to Coventry2021

### **What does 'culture' mean to you?**

Culture to me is the typical behaviour demonstrated by a group of people or a society. I feel there are really positive and amazing cultural traditions that all can appreciate and enjoy.

Equally, I'm aware that there are longstanding cultural traditions which can, at times be challenging and needs to be changed. I therefore feel like culture is a coin with two very different sides, both of which can be learned from.

### **What's your earliest memory of what you used to eat growing up?**

My mum used to feed all the kids on my street. Fairly healthy stuff, including: apples, cheeses, crackers, oranges, chicken, ham, pickle and, admittedly the odd bag of crisps or some cookies.

I just remember those plastic plates of food that me and my friends would be given after a day of "playing-out".

### **What's your favourite cultural aspect of Coventry?**

I just like how old this place is, there are ruins that are hundreds of years old all around the city and while much of it was bombed in the war, it makes me (and I think a lot of other people) appreciate what is left and serves as a reminder for what many of our relatives went through for us to still be here.

### **What was the last sporting event you attended?**

A Wasps Rugby game, I actually can't remember who they played, just that Wasps smashed them, a great game!

### **When were you last moved by a piece of culture and what was it?**

It's hard to pin-point one thing, but a story which does spring to mind:



A friend of mine from America, a history enthusiast, visited a couple of years ago and I had the responsibility of showing them around Coventry and Warwickshire, so I took to Google to look for some noteworthy and inherently British things to do, showing the best of what we have in the area.

The whole event really made me value where I lived; a stone's throw from the birth place of Shakespeare and Anne Hathway's Cottage, St Mary's Guildhall, the story of Lady Godiva, the Godiva Festival, the Cathedral and our War Memorial Park. We also have Kenilworth and Warwick castle and even Spon Street on a Saturday night, these are all things that I had taken completely for granted for the majority of my adult life.

It really did change my perspective & appreciation for where I have grown up.

### **Tell us about your involvement...**

Utility Team being a Coventry-based business and having lived in Coventry my whole life, admittedly I was really surprised at first that we had won (perhaps guilty of being a tad pessimistic). Although upon reflection, when I think about all of the effort that so many businesses and people went to it is not actually that surprising.

It's brilliant; the city deserves the attention/income that something like this title can generate. I am personally really proud to be associated with the message behind Coventry, UK City of Culture 2021; it is an important one.



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## Beating Brexit: What are energy companies doing for you? James Smith, Senior Business Energy Consultant

In the last year a trend seems to have emerged, energy companies are extending their renewal window from six to twelve months. Some organisations have taken it a step further, British Gas have brought out new four and five year fully fixed offers and Scottish and Southern Energy (SSE) have brought out a new five-year product. In a similar style smaller suppliers are charging less for long term contracts than they are for their short-term contracts.

Although this behaviour could be described as unusual and somewhat bold, it makes sense. Just like retailers, energy companies are responding to the demand of their clientele. In this case they are pre-empting the demand of longer term policies.

Their customers have seen rise upon rise in price following the UK's decision to leave the EU in June 2016. As people are keen to try to secure fixed prices the demand for four and five year products has grown. The naturally competitive nature of an open market has responded appropriately to this demand.

As can be expected, Brexit is very complicated for all industries and energy is no different. This could include nuclear power regulations, the already implemented plans to increase the UK's electricity usage drawn from the EU from 6% up to 25% or simply negotiating new trade tax and tariffs between ourselves and the EU. It is not known what these and many other arrangements will look like. Uncertainty in this industry inevitably leads to higher prices.

The uncertainty is echoed, by the frankly worrying words of Lord Teverson – the chair of the Brexit Energy security committee;



‘Individuals and businesses across the UK depend on a reliable and affordable supply of energy. It remains unclear, however, how this can be achieved, without remaining in the single market’.

As an Energy Consultant for leading energy cost management company- Utility Team Trading Limited, it is my responsibility to offer meaningful reductions to energy costs for my clients. It is my firm belief that negotiating an energy contract prior to the implementation of Article 50 will be less expensive. My clear advice for businesses who have energy contracts ending within the next 12 months, is to proactively seek to secure a longer term fully fixed price contract. That is where it is safer and that is where energy companies are currently the most competitive. Perhaps at the end of that contract, Lord Teverson and those charged to provide the Brexit negotiations, may have a better idea on how to provide affordable energy when outside the single market.

For the committee's full report please follow the link; <https://publications.parliament.uk/pa/ld201719/ldselect/ldeucom/63/63.pdf> - House of Lords – European Union committee – Brexit: Energy Security report



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## The month's events and lead generation

This month we attended the UK Construction Week 2018 trade show and the BioForward Conference.

The UK Construction Week is the country's largest construction trade show and this year there were more than 650 exhibitors with an audience of around 30,000 trade visitors.

The BioForward Conference 'is a unique, high-quality, international conference, focussed on creating and developing a practical roadmap for early stage, emerging, and developing life sciences companies to achieve sustainable business success and growth'.

If you too attended either of these events our team may have had the fortunate opportunity to speak with you. Our Sales Director, Lee Jacques and Alex Rubboli, Business Development Manager at Utility Team attended BioForward and Ceri Reynolds, our Key Account & Site Works Manager and again Alex Rubboli attended UK Construction Week.



Both were crucially important in meeting new and existing partners and clients. The events were both extremely valuable, allowing us to meet lots of interesting people from a range of innovative businesses. We really enjoyed our time there and found it to be hugely beneficial in creating contacts and forging relationships. We hope that we can continue to attend such valuable events as these to ensure we can build our network of valued customers and partners.