

# PRICE PASS-THROUGH FAQs

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The terms and conditions of your contract include a reference to 'pass-through amounts' which may increase throughout the contract length. We thought it would be worth explaining what they are and why they change.

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## What are pass-through amounts?

In simple terms, pass-through amounts (also referred to as 'non-commodity charges', 'non-energy costs' or 'price pass-through') cover the cost of transporting your energy to you and provide support for Government initiatives and interventions in the energy industry, such as climate change policies.

These costs aren't controlled by Opus Energy, but make up about half of the tariff. Suppliers are charged these via complex methods, but we pass them on to you in the simplest form possible, as part of your contract rates.

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## What are the main types of charges?

These fit into four main categories:

1. Energy infrastructure costs – the cost to transport energy from where it's generated to your site (TNUoS and DUoS for electricity, NTS and LDZ for gas - these and other terms are explained below)
2. Energy related costs – the costs for the National Grid to ensure that energy supply and demand are balanced in real time (BSUoS)
3. Low carbon generation costs – costs from Government schemes that all suppliers must pay, helping to fund low carbon and renewable generation (RO, FiT, CFDFiT)
4. Security of supply costs – Government costs to ensure that supply security is maintained as more intermittent renewable generation is built (CM)

## What do the terms mean?

### **TNUoS – Transmission Network Use of System**

Costs to operate and maintain the Transmission Network (the high voltage pylon system which you can sometimes see while travelling) that transports electricity from generators to local Distribution Networks.

### **DUoS – Distribution Use of System**

This is used to maintain and operate the Distribution Network, which transports electricity from the Transmission Network directly to a meter.

### **NTS – National Transmission Network**

These charges represent the costs of using the National Transmission System (NTS); both shippers and suppliers need to pay them. This is the national network of pipelines which transports gas from terminal and storage facilities to connections to Distribution Networks, large consumers and overseas.

### **LDZ – Local Distribution Zone**

These costs cover the use of the local network of pipelines which transports gas from the National Transmission System directly to a meter. They also cover energy that is lost in the process (such as through leakage). Such instances of gas that cannot be accounted for are referred to as 'unidentified gas'.

### **BSUoS – Balancing Services Use of System**

Paid by generators and suppliers, these charges are aimed at keeping the Electricity Transmission System balanced each day and ensuring power can be transmitted to where it's needed. They are calculated by the National Grid each half-hour based on the system needs at that point.

### **RO – Renewable Obligation**

A government scheme to support large-scale renewable generators by providing them with extra income above the value of energy they produce. This scheme closed to new applicants in March 2017.

### **CFDFiT – Contracts for Difference – Feed-in Tariff**

Set up to succeed the RO scheme, this agreement is based on a fixed price set by the

Government to be paid to large renewable energy generators for every MWh generated. To support them, suppliers need to contribute the difference between the fixed price and the market value of that energy.

### **FiT – Feed-in Tariff**

This cost supports small-scale renewable generators, such as domestic solar roof installations. This scheme guarantees a fixed tariff based on the amount that is generated, and suppliers make payments to Ofgem to help fund this.

### **CM – Capacity Market**

Capacity Market charges ensure there is always a supply of energy, by enabling non-renewable generators to schedule their generation at times when it's required, such as when renewable generation is intermittent. The cost is determined by an auction run by the National Grid on behalf of the Government.

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## **Why is there an increase in some of these charges?**

Many of these charges are set by different bodies, and increases or decreases could depend on a variety of factors. Find out why you may have seen an increase in the breakdown below.

**TNUoS and DUoS** - Prices vary by area and customer, meaning some may see an increase and others a decrease. TNUoS prices are driven by the Transmission Owners and DUoS prices are driven by the Network Operators. Both are regulated and capped by Ofgem.

**NTS** - The National Grid acts as both the Transmission Network Owner and System Operator so it controls the cost of NTS charges, under the review and price regulation of Ofgem.

**LDZ** - These charges are set by Distribution Network Operators to help them recover the costs in maintaining and operating the network, under the review and price regulation of Ofgem.

**RO** - The Government has increased the required proportion of total energy consumption that eligible renewable generators get paid for under the RO scheme. This means that suppliers must pay more to satisfy their obligation to the Government.

**CFDFiT** – Being relatively new, costs for this scheme are likely to increase as new generators are awarded contracts and begin receiving their payments.

**FiT** - The renewables scheme for small-scale generators has also been successful. Because of the increasing adoption, costs for suppliers have been increasing year on year.

**CM** – As the Capacity Market opened fully in 2017, there has been an uptake of the scheme so payments to participants have increased and will likely continue to do so.

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## **What clause in your Terms and Conditions allows Opus Energy to do this?**

That is clause 8.3 in your contract:

*We may vary the charges at any time in order to reflect any change (howsoever arising) in the pass-through amounts. We will give you as much advance notice as we can, but we will not be able to do so if we have not been given advance notice of the change in the pass-through amounts.*

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## **When is my rate change effective from?**

If we have changed the cost of your energy supply as a result of a change to these charges, it will be effective from the date stated in the communication.