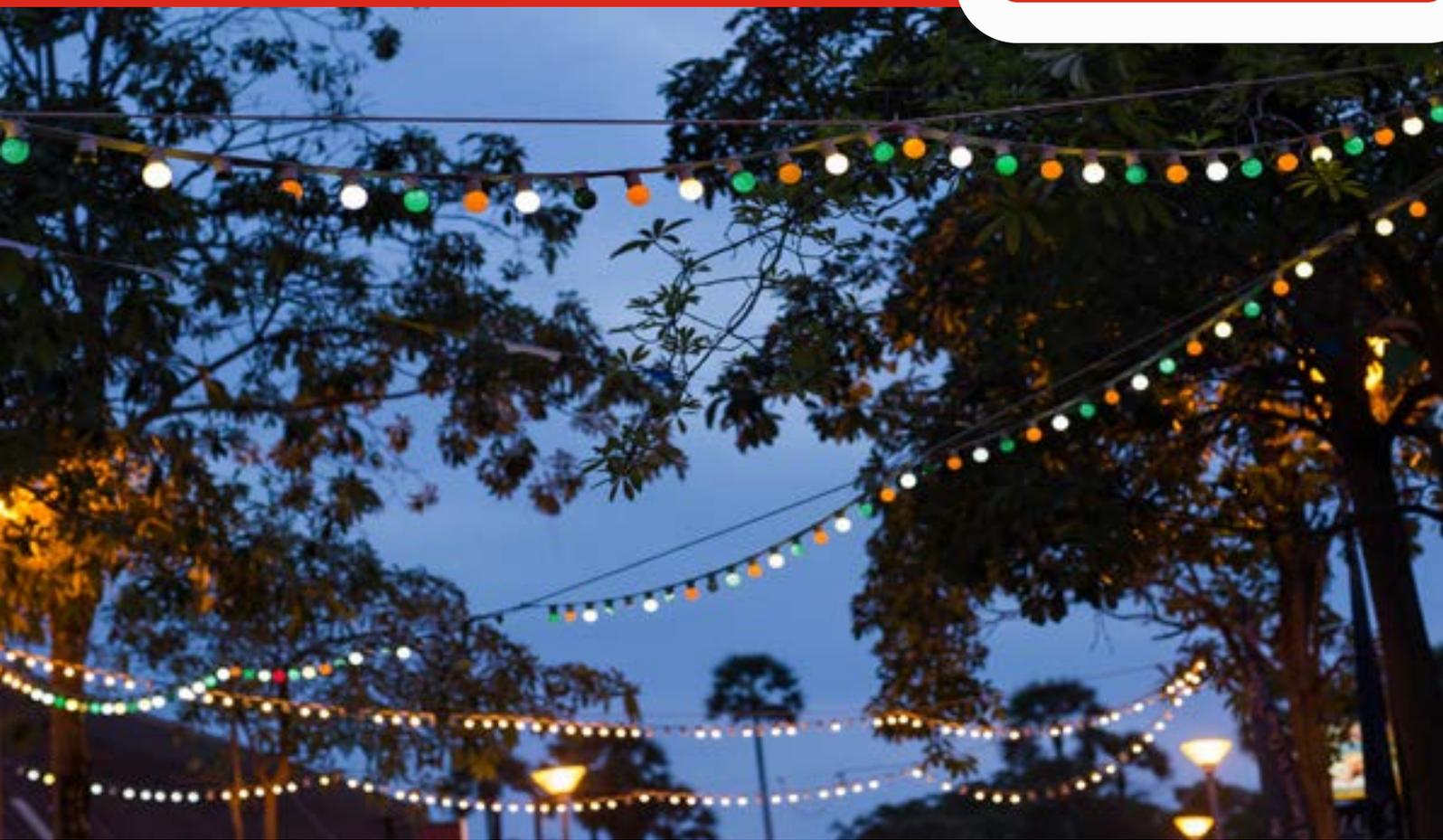


# NON-ENERGY CHARGES



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*Utilities simplified*

# What is a non-energy charge?

**A**re you wondering exactly what non-commodity costs are? Well, you're not alone. They're also known as Third Party Charges (TPC) and appear on your electricity or gas bill as "non-energy charges". At the moment, TPCs make up about 60% of the average energy bill, and this figure is only rising. Typically, the charges include costs that energy suppliers have no control over, as they're usually from schemes implemented by the government, for example to promote renewable energy incentives. Energy suppliers also face day-to-day running costs which can't all be covered by charging consumers the cost of electricity or gas alone.

At Monarch, we have a range of solutions available to help our customers tackle the effects of TPCs and make sure they keep on top of market news and developments. A recent YouGov survey suggests that over half of senior UK energy professionals aren't sure of the impacts that rising TPCs might have on their company's energy expenses. This is potentially due to the fact that the vast majority (88%) are unable to predict how their future energy costs might change, for lack of an appropriate tool or reporting device. Our sustainability team provides our clients with regular reports predicting and displaying consumption costs and CO2 usage figures. As times goes by, smart energy usage becomes a more prevalent issue, and we're committed to helping our clients stay up-to-date and be aware of their current and future energy usage.



# Policy charges

A large proportion of TPCs come as a result of policy charges introduced by the Government. The charges are detailed below.

## ■ Renewables Obligation (RO) (electricity)

Introduced to support renewable electricity generation on a large scale in the UK. The scheme is closed to new entrants but will continue to provide funding for existing renewables projects until 2027.

## ■ Feed-in Tariffs (FiTs) (electricity)

Introduced to support renewable electricity generation on a small scale in the UK. It was launched in 2010 and offers different incentive payment rates depending on the type of renewable technology.

## ■ Contracts for Difference (CfD) (electricity)

Introduced to incentivise people to generate their own low-carbon energy

## ■ Capacity Market (electricity)

Introduced to encourage investment in renewable technology and new generation projects

## ■ Climate Change Levy (CCL) (electricity and gas)

Introduced for businesses as an incentive to increase energy efficiency and reduce carbon emissions. It is expected to rise by 45% going into 2019 (due to abolishment of the Carbon Reduction Commitment).

## ■ Energy Company Obligation (ECO) (electricity and gas)

Introduced to allow energy suppliers to give financial support to domestic users to make homes more energy efficient

## ■ Warm Homes Discount (WHD) (electricity and gas)

Introduced to offer a rebate on electricity bills to consumers who cannot afford it – a rebate which is funded by suppliers by charging end users more

## ■ Distribution Use of System (DUoS) (electricity)

Recovers the cost of installing and maintaining the local distribution networks. Includes DCP228, DCP161, P272, P350, and MEES. Read our previous article on the DCP228 update of April 2018 for more details (<https://monarchpartnership.co.uk/energy-regulation-updates/>)

## ■ Transmission Network Use of System (TNUoS) (electricity)

Recovers the cost of installing and maintaining the transmission system. Charges are based on your share of demand on the transmission network during its peak periods (Triads).



# Preparing for TPCs



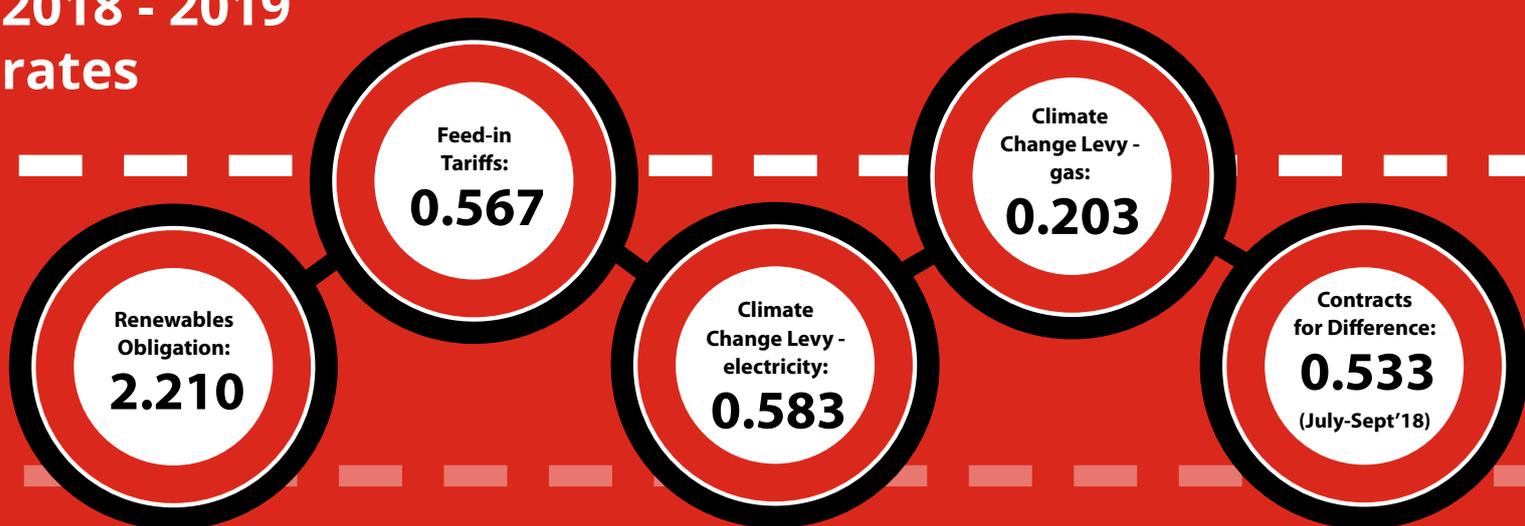
A huge issue amongst the energy management community is a lack of resources, which has led to a “knowledge gap” for those who manage energy procurement and expenditure for their company. Our weekly market intelligence reports give our clients detailed industry news and upcoming price predictions. The reports are a great educational resource aimed at closing the knowledge gap. A recent example of such a gap is npower’s prediction that current energy rates will increase by 40-45% by 2028. Members of the energy management community appear to be unaware of this prediction, as only 13% agree with npower’s statement. Customers who receive our market intelligence reports are more likely to understand the causes of inflated prices and rising non-commodity costs, helping them to budget more effectively.

Many businesses view energy merely as a necessary company expense, rather

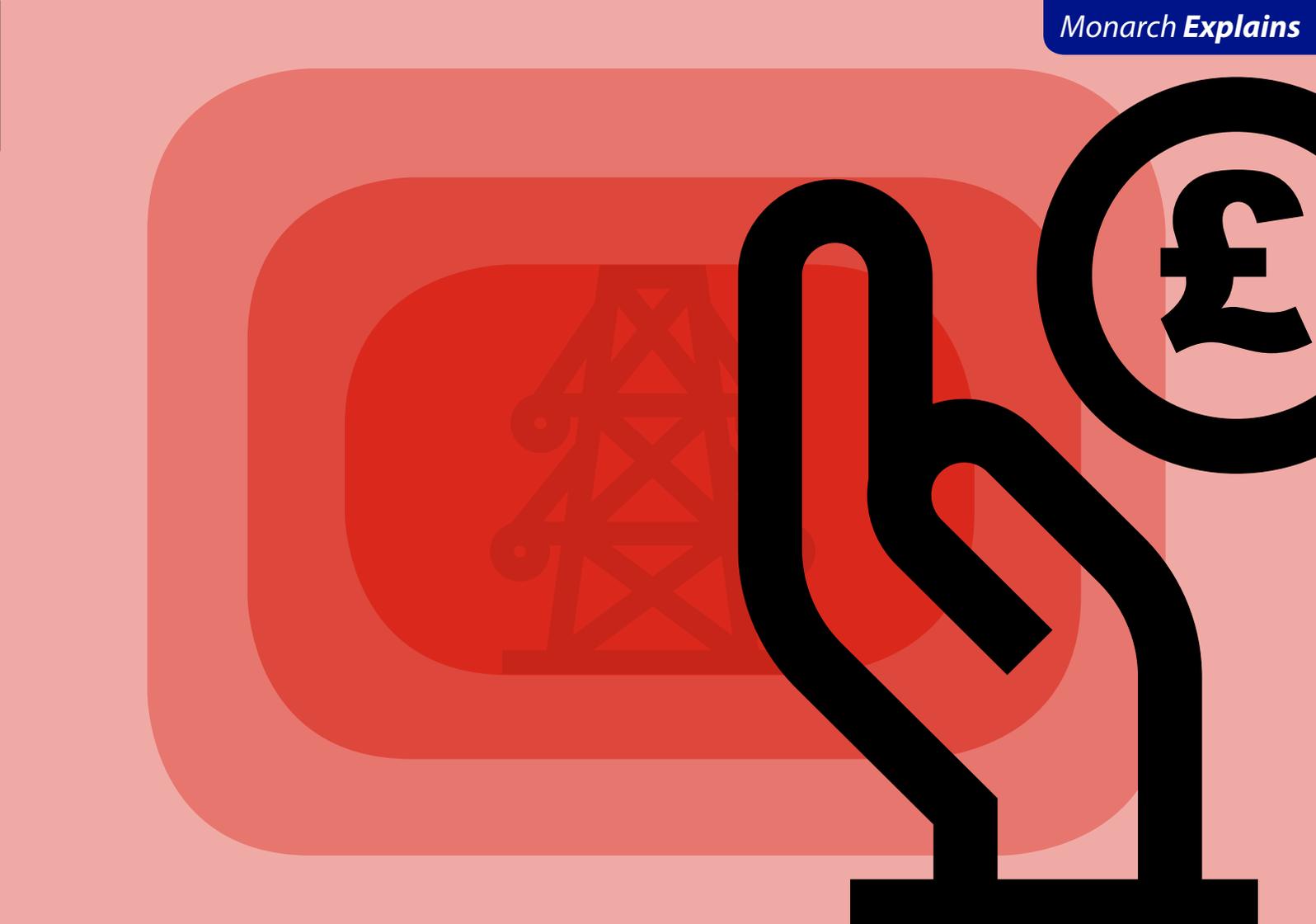
than a cost that can be managed and controlled. This means that not all energy managers have implemented a long-term energy management strategy, nor do they have expert guidance on understanding their energy baseline. We provide Monitoring and Targeting services to forecast our clients’ future energy consumption, costs and charges. The bespoke service includes energy data collection, monitoring and analysis, reporting, and the setting of future targets. Specially tailored and designed to fit whichever industry our customer operates in, the goals benefit both the environment and our client’s bank balance. Non-commodity costs refresh yearly so it’s crucial to update energy management strategies regularly to accommodate and prepare for them.

For more information on non-commodity costs or sustainable energy use, contact us at [savings@monarchpartnership.co.uk](mailto:savings@monarchpartnership.co.uk) or 020 8835 3535, and we’ll see how we can help you manage your costs and prepare for ever-rising third party charges.

## 2018 - 2019 rates



Shown in p/kWh (Source: Npower)



## Further information

**U**nderstanding non-energy charges can be complicated and this Monarch Explains guide gives a brief overview. More information, however, can be found by following the links below:

<https://monarchpartnership.co.uk/third-party-charges/>

<https://monarchpartnership.co.uk/energy-regulation-updates/>

<https://www.npower.com/business-solutions/your-account/billing/charges/>

<https://www.resolveenergy.co.uk/pricing-tariffs/third-party-and-industry-charges/>

<https://www.ofgem.gov.uk/publications-and-updates/infographic-bills-prices-and-profits>

The rates change from year to year, so the amount shown on your energy bill for each type of non-energy charge won't always be the same. Staying up-to-date with the annual fluctuations makes sure that you can check you're paying the correct amount. Unfortunately, there's no way to avoid paying TPCs, but shopping around different suppliers will mean that you can get the best possible energy contracts and make your money go further.



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