

# ENERGY MARKET INVESTIGATION

## Notice regarding assessment methodology for losses remedy

1. On 7 July 2015, the Competition and Markets Authority (CMA) published its Provisional Findings and Notice of possible remedies for the energy market investigation. Remedy one of the Notice of possible remedies was the 'introduction of a new standard condition to electricity generators', suppliers', interconnectors', transmission, and distribution licences to require that variable transmission losses are priced on the basis of location in order to achieve technical efficiency'.
2. In order to assess the merits of remedy one, the CMA intends to carry out a new cost-benefit analysis for the introduction of losses-pricing.
3. The CMA has received a [submission](#) of an updated cost-benefit analysis from RWE npower. We believe it is important that the CMA conducts its own analysis of potential impacts.
4. Given the intensely technical nature of the work involved, the CMA proposes and invites comment on the following process:
  - Tender for experts to assist in running four to five scenarios of likely impacts and developing an appropriate quantification methodology.
  - Develop and publish the proposed scenarios and methodology with the assistance of the selected experts.
  - Allow parties an opportunity to critique both scenarios and methodology.
  - Perform the cost-benefit analysis having taken due account of comments from parties.
  - Publish the results of the cost-benefit analysis in a working paper.
  - Assess the CMA results together with any results that may have been developed and submitted in parallel by interested parties.

5. We welcome comments on this proposed workflow by 5.00pm on Friday 18 September.

16 September 2015