

# August TNUoS Tariffs 23/24 Webinar

## Q&A Summary – 15/09/22

### Introduction

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**Purpose** To summarise the questions asked as part of the TNUoS draft tariffs webinar and the answers provided by the presenters.

**Date:** 15/09/2022

A webinar was held on 15<sup>th</sup> September 2022 to outline the ESO’s TNUoS August tariffs.

The following questions were asked;

#	Question	Answer
1	Are you able to provide any insight into which TEC changes are the main driver behind the changes to generation locational tariffs, around zone 23-25?	The generation locational tariffs for 2023/24 will be based on the contracted TEC as of 31 <sup>st</sup> October 2022. The TEC values that were used in this forecast are our based on an internal best view of what we expect the 31 <sup>st</sup> October TEC Register to include. Unfortunately, we are unable to break down our best view of generation as some of the information used to derive it could be commercially sensitive.
2	Could you explain why/how the consumption per band thresholds from the prior year impact the TDR Banded Charges?	<p>Consumption from prior year thresholds determine what charging band you belong to.</p> <p>For Final Demand Sites connected to the NETS, the following hierarchy will apply, starting at (i) and progressing to (iv) to determine the correct Charging Band</p> <ul style="list-style-type: none"> <li>i. Where available, the mean average of the latest 24 months Consumption data for the specific Final Demand Site shall be used. Where this is not available, in terms of (ii), (iii) and (iv);</li> <li>ii. The mean average of as much Consumption data as is available for the specific Final Demand Site, or;</li> <li>iii. The Company making use of any valid information as is available or made available to best estimate the expected Consumption of the Final Demand Site, or;</li> <li>iv. Should no data or information be available for the specific Final Demand Site, a 12 month mean average of</li> </ul>

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		all Consumption from all NETS connected Final Demand Sites shall be used.
3	Has it been confirmed how bandings will be determined? will it be LLF like for DUoS?	<p>For Final Demand Sites connected to the NETS, the following hierarchy will apply, starting at (i) and progressing to (iv) to determine the correct Charging Band</p> <ul style="list-style-type: none"> <li>i. Where available, the mean average of the latest 24 months Consumption data for the specific Final Demand Site shall be used. Where this is not available, in terms of (ii), (iii) and (iv);</li> <li>ii. The mean average of as much Consumption data as is available for the specific Final Demand Site, or;</li> <li>iii. The Company making use of any valid information as is available or made available to best estimate the expected Consumption of the Final Demand Site, or;</li> <li>iv. Should no data or information be available for the specific Final Demand Site, a 12 month mean average of all Consumption from all NETS connected Final Demand Sites shall be used.</li> </ul>
4	Businesses now have energy rates capped over winter 2022 so is less triad avoidance expected? Higher over-recovery in 2022/23 and lower tariffs in later years?	<p>Irrespective of capped rates, end-users that can avoid Triads are still incentivised to do so – this is because even with the capped price, there is still a rise in energy prices. It will also depend on how the TNUoS charge is passed through, which is not something ESO has visibility of, and may vary by supplier.</p> <p>We do not anticipate higher over recovery in 2023/24 and lower tariffs in later years.</p>
5	What is the demand base used for HH TNUoS settlement? ABSVD adjusted volumes or not?	The tariff setting charging base is half hourly gross demand and half hourly exports, which uses Elexon settlement metering data (P0210 and i014) as inputs. TNUoS charging is also based on these Elexon inputs. You would need to refer to Elexon to understand whether settlement volumes are impacted by ABSVD.
6	Given the recent inflation rises I would have anticipated a higher adjustment value, can you elaborate on why this is currently negative?	<p>The effect of inflation is captured within the TO submissions for which we get provisional forecast revenue view in October and actual revenue submission in January. As the revenue is in nominal (outturn) prices so already has inflation factored in or will be reflected in their submitted number for the following year (so won't show in the published ADJ number).</p> <p>ADJ as displayed in the August forecast relates to ESO internal items only and shows as negative mainly because of the way things changed in 21-22. In charge setting for</p>

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		<p>22-23 we included a forecast for things that were likely to happen. The difference between what they actually turned out to be and the forecast that was originally included is what makes up the ADJ term. In particular, for DIS (site specific connection charges) we ended up collecting nearly £14m more than we needed to so that is being returned through a negative ADJ, and across both 21-22 and 22-23, other constituent items of ADJ show the same trend so that's why the ADJ figure shows as negative.</p>
7	<p>For new sites, when do fixed residual charges apply from? Whole financial year or pro-rated from date of connection?</p>	<p>Fixed residual charges apply at the point of connection and is pro-rated at the point of connection. The TDR charge is charged at £/site/day tariff.</p>
8	<p>How were pre-existing assets defined?</p>	<p>When a generator wishes to connect to the NETS (the National Electricity Transmission System), the TO(s) may need to build new transmission assets, or upgrade existing transmission assets, before the generator can be connected safely into the system. These assets are deemed non pre-existing assets for this generator; other transmission assets are deemed pre-existing assets for this generator (and for the network capacity they requested).</p>
9	<p>Can you explain how the error margin is calculated?</p>	<p>The error margin calculation is based on past five years' forecast and outturn data. It compares the revenue forecast deviation (adjusted by the systemic error), and the total energy forecast deviation. The approach is described in the CUSC (14.14.5 vi.). We also publish the calculation in our TNUoS quarterly forecast (for example, table 17 in the August forecast)</p>
10	<p>Can you confirm which view of inflation has been considered in the forecast?</p>	<p>Inflation that is applied to onshore TO revenues and a number of key charging parameters are based on CPIH values, whereas inflation that is applied to OFTO revenues is based on RPI values. For each we use actual data for the months available and beyond that we use a forecast provided to us by our Finance colleagues. We received our latest inflation forecast in July and this was used within the August forecast. The inflation forecast is updated for each tariff forecast submission; therefore, both the Draft Forecast and Final tariff forecast will be updated with new inflation assumptions.</p>