Breakout session – Charging Reform

ESO

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TNUoS Taskforce

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10 year projection

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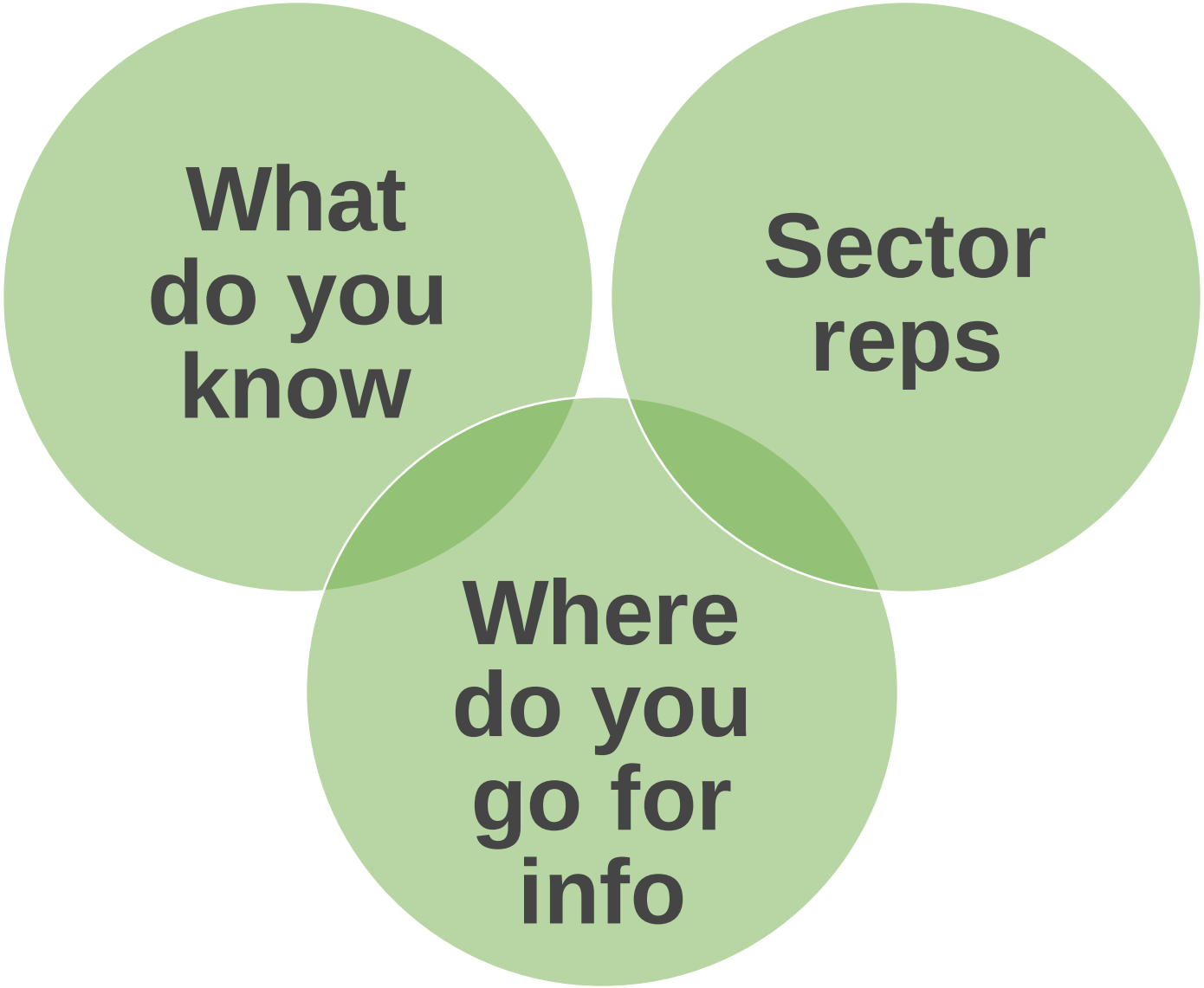
Intro questions



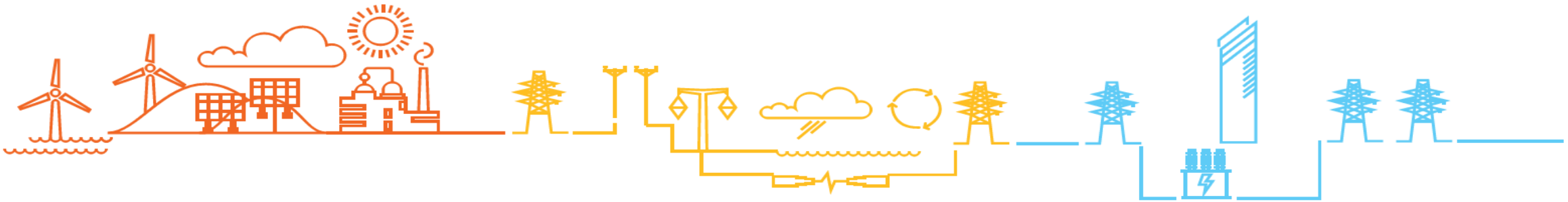
What is TNUoS?

TNUoS is the Transmission Network Use of System charge and recovers the allowed revenue for Transmission Owners for the cost of building and maintaining transmission infrastructure.

Locational charge: reflects the incremental cost of power being added to/taken off the system at different geographical points

A Residual charge for demand (Transmission Demand Residual TDR) and an adjustment tariff for generation :
what is not recovered under the Locational charge is recovered in this pair of charges, which have two purposes :

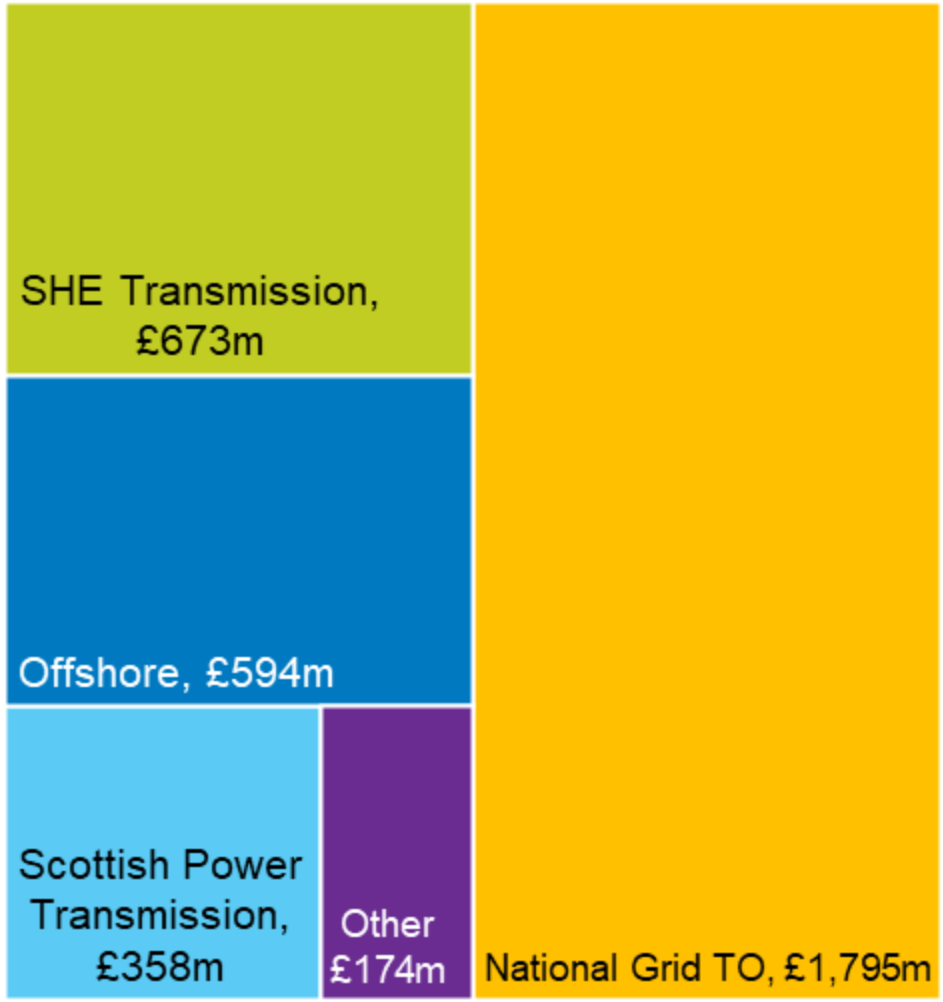
1. Ensure that that the TOs recover their total allowed revenues under price control (locational charges, unadjusted, will fall far short of that)
2. Ensure that the amount of TNUoS collected from generation as a class (with certain legal exclusions) is less than €2.50/MWh as an annual average overall (UK retained law - EC838/2010).



What makes up the TNUoS Charge?

Recover revenue for:

- Onshore TOs
  - National Grid Electricity Transmission
  - Scottish Power Transmission
  - Scottish Hydro Electricity Transmission
- Offshore TOs
- Other



Figures from Final TNUoS Tariffs for 2022/23

What is the TNUoS Taskforce and why was it set up?

Scope

- Backgrounds
- Signals
- Data Inputs
- Reference Node
- Absolute vs Relative
- Technology Type
- Sharing
- Distributed Generation

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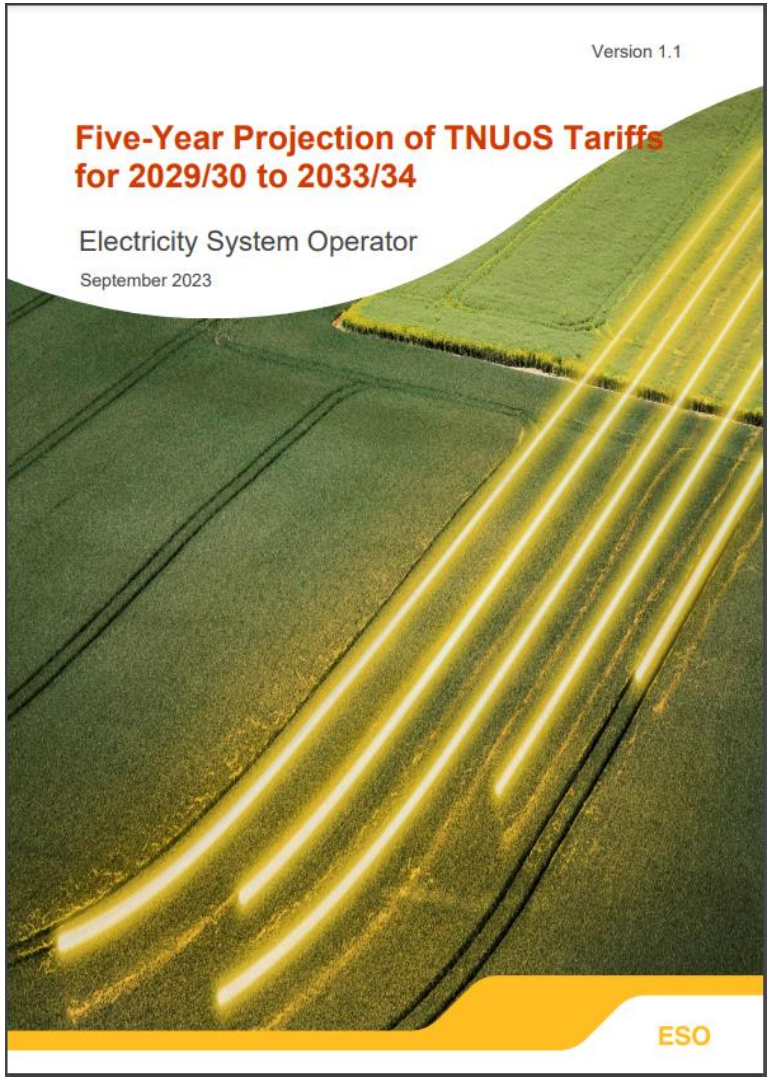
Journey so far and next steps

Why have ESO provided a projection of tariffs to 2033/34?

Our electricity generation mix is changing to meet the 2035 target of decarbonising supply. Enabling this to happen is significant investment in transmission network development. These changes lead to changes to TNUoS tariffs.

- This projection of TNUoS tariffs is intended to inform industry on the direction of travel and aid commercial decisions for delivery of infrastructure.
- Significant uncertainties and assumptions underly all numbers within this projection.
- There is ongoing reform to change the current charging methodology which has been used for this report.
- This projection is provided on a one-off basis



Links:
Report

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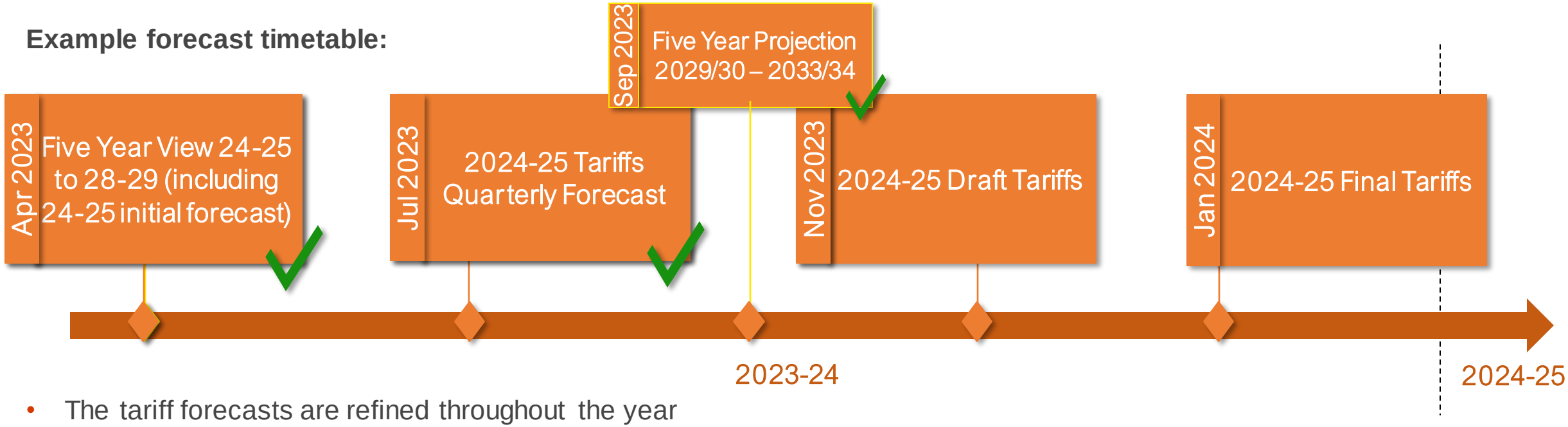
Webinar Slides

Webinar Recording

Tariff Timetable

ESO has a licence and CUSC obligation to publish quarterly TNUoS forecasts and a 5 year review annually, to enable market participants to make efficient operational and investment decisions.

Example forecast timetable:



- The tariff forecasts are refined throughout the year
- The 5 year projection (2029/30 – 2033/24) is in addition to quarterly publications as detailed above
- The Final Tariffs are published by 31st January and take effect from the following 1st April
- The forecast timetable for each year is published by the end of the preceding January

Key Findings

The total TNUoS revenue is projected at £7.73bn for FY29/30, (an increase of £2,416m from 2028/29). This is projected to increase to £7.9bn in 2033/34.

Projection shows material increases in TNUoS Tariff from ~2028/29- these are indicative of trends but are not the actual charges that will be paid:

The total cost for the average end consumer is projected to be £79.45 per household in 2029/30 (7.45% of the average annual electricity consumer bill), an increase of £27.73 compared to the equivalent forecast figure for 2028/29. The total TNUoS charge is expected to decrease to £71.96 by 2031/32 then increase to £77.63 by 2033/34.

Key Findings – Generation and Demand

Generation revenue is projected to be **£1.62bn** for FY29/30; it is projected to grow to **£2.08bn** by FY33/34, mainly driven by the increase in offshore generation local charges.

The generation charging base for FY29/30 has been projected as **117.7GW** based on the FES "Leading the Way" scenario, increasing to **157.9GW** in FY33/34.

The average generation tariff for 2029/30 is projected at £17.86/kW; it is expected to grow to £26.82/kW in 2033/34.

Demand revenue to be collected through demand is projected at £6.12bn for 2029/30 (an increase of £2.1bn from 2028/29 charging year).

This has been driven by the increase of total TNUoS revenue.

From FY29/30 the demand revenue is projected to decrease year on year to £5.53bn in FY31/22 then increase to £5.82bn by FY33/34, in-line with the year-on-year variation in total revenue.

Where to find further information

ESO Five-Year Projection of TNUoS Tariffs for 2029/30 to 2033/34

Note that the ESO projection differs to the CUSC modification covered by CMP413: Rolling 10-year wider TNUoS generation tariffs where the solution looks to fix published tariffs for a 10-year period

Ofgem published an open letter on Strategic Transmission Charging Reform. Responses are requested by 15 November 2023

Further detail regarding the priority areas and **Task Force** meeting materials can be located on the Charging Futures website, found here: Charging Futures TNUoS Task Force - Resources Page

Thanks for Listening!

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Claire Huxley – Commercial Codes Change Manager – claire.huxley@nationalgrideso.com

Rachel McLeod – Commercial Codes Change Lead – rachel.mcleod@nationalgrideso.com

Martin Cahill – Commercial Codes Change Lead – martin.cahill@nationgrideso.com

Paul Mott – Commercial Codes Change Lead – paul.mott1@nationgrideso.com

Nick Everitt – Revenue Manager – nick.everitt@nationalgrideso.com

Nick George – Revenue Manager – nick.george@nationalgrideso.com