
ADE Briefing | Scope of TNUoS taskforce | 31 May 2022

Introduction

Ofgem have published **further details** on the scope of their proposed TNUoS taskforce to consider incremental changes to transmission charging.

The scope focuses largely on charges to generators and for now, excludes broader reforms.

The ESO have been asked to recruit taskforce members and Ofgem intends this process to be finalised by the end of June.

Summary

Whilst the majority of the areas considered are likely to primarily affect large generation, there are two aspects that will affect decentralised energy directly, namely –

- Determining which elements of TNUoS charges should be paid by distributed generators with a clear, system-based rationale for any differences in treatment between classes of generators
- Whilst not in scope explicitly, changes to what generators pay in locational transmission charges could have knock-on impacts for residual demand charges and therefore, impact industrial and other demand users

Overview

The TNUoS taskforce is being set up this year in response to Ofgem's call for evidence into TNUoS reform. The current aim is for the taskforce to meet over a 6-month period starting in the Summer. It will be chaired by the ESO.

Ofgem is aiming for around 12 participants, with the largest cohort (by 1 representative) being from generators.

The terms of reference include a requirement to consult on potential solutions and to produce interim reports during the next 6 months.

The following areas are in scope (not exhaustive) –

1. Reviewing the data inputs into the current locational TNUoS methodology to identify and quantify their effect on the predictability of TNUoS tariffs as a long-run investment signal, suggesting improvements as deemed necessary.
2. The calculation of the wider TNUoS charge components (exclusive of the 'Adjustment Tariff' used to support compliance with the Limiting Regulation), and the approach to zoning.

3. How closely the TNUoS methodology should align with the 'real world' operation of the transmission system (in the context of the intention of TNUoS being to provide a long-run marginal cost signal, not a short-run or operational signal).
4. Identification, consideration, and suggestions/recommendations of new inputs into the TNUoS locational methodology (e.g., signalling excess/insufficient capacity).
5. Existing data inputs such as Charging Bases and Error Margin Calculations.
6. Determining which elements of TNUoS charges should be paid by distributed generators with a clear, system-based rationale for any differences in treatment between classes of generators.
7. Appropriate treatment of island connections, and some Offshore developments including (solely in this context) the definition of a MITS Node, with consequential consideration of appropriate zoning methodologies for islands and Offshore (notwithstanding the longer-term position is subject to change in the context of other potential market reforms).
8. Determining any changes which will simplify the methodology and make it more approachable to new market participants.

The following more fundamental areas are not in scope –

- Moving away from load flow-based modelling
- The longer-term question of how TNUoS functions in a less centralised, more flexible energy system to support the UK's Net Zero commitments
- Depth of connection charges (i.e., whether assets are 'Local' or 'Connection' or form part of the MITS)
- The methods by which NGESO forecasts inputs to the charging methodology
- Changes to how non-locational (i.e., residual) TNUoS charges are recovered

These will be considered through a longer-term Ofgem programme of reform. There is little detail regarding this programme as yet.

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