



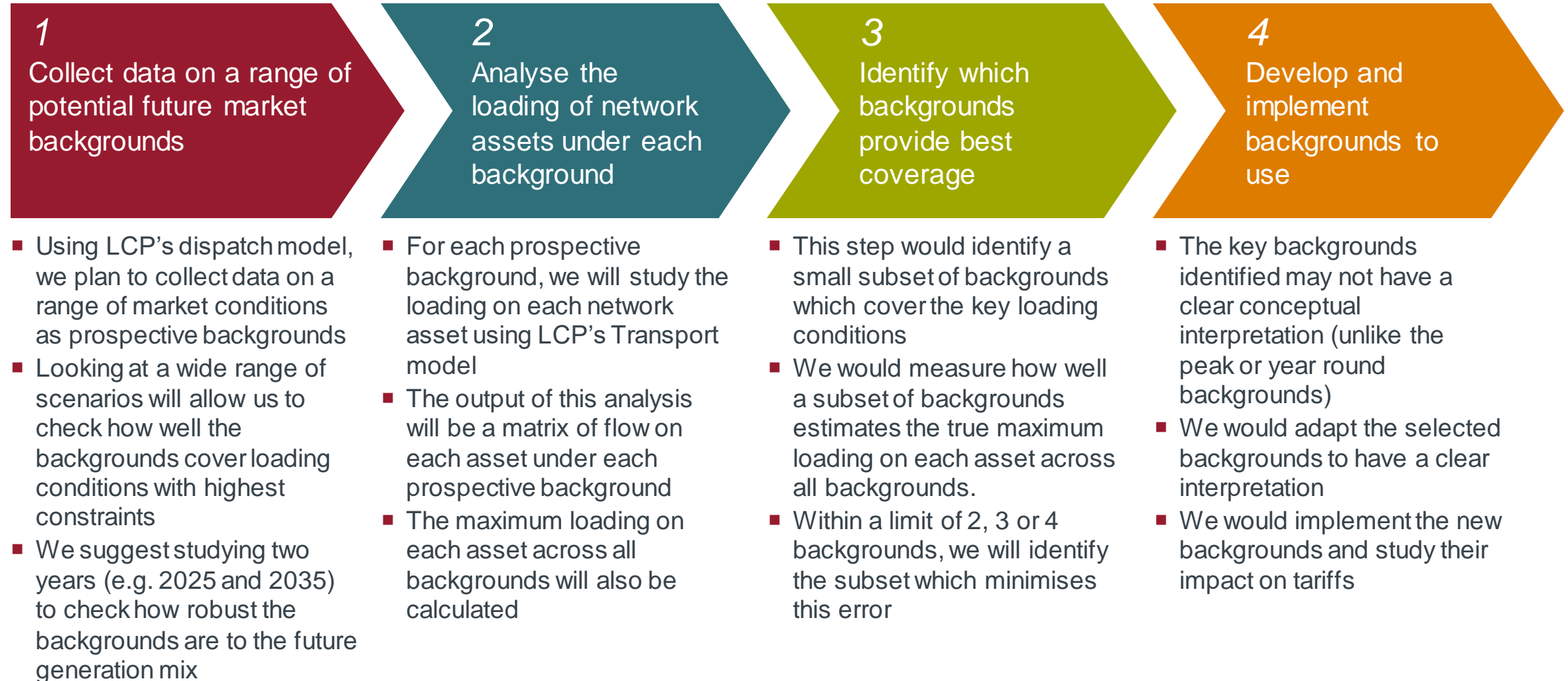
TNUoS Task Force Analytical Support



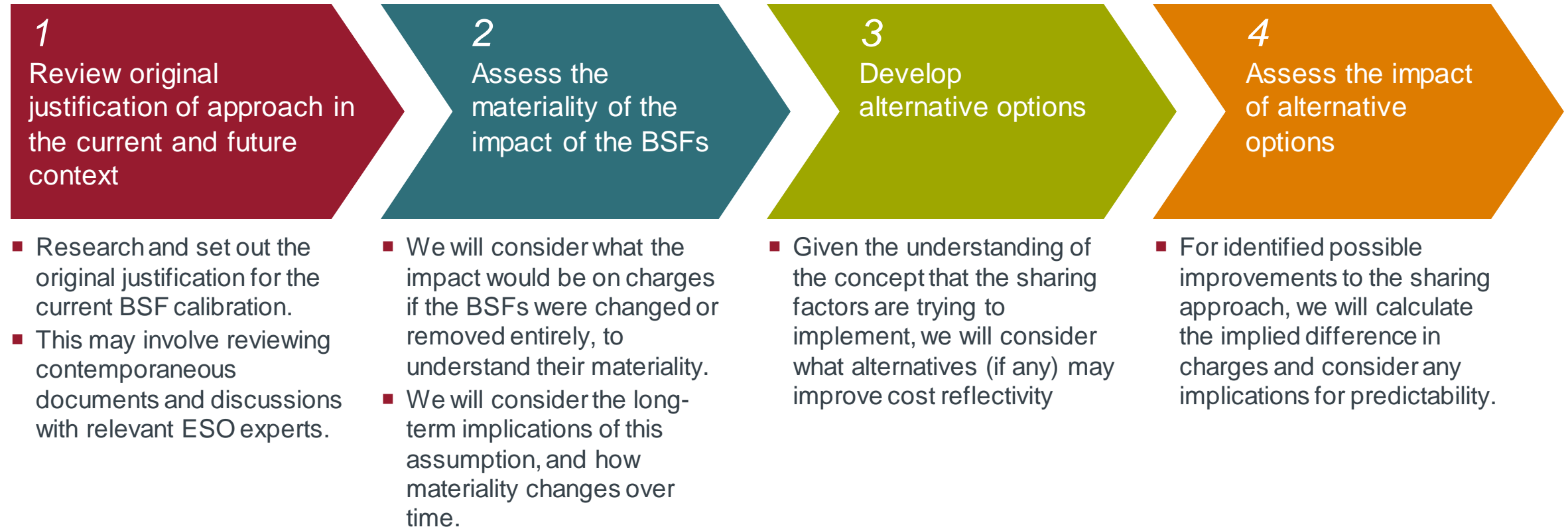
Approach

28th March 2023

Backgrounds: Suggested modelling approach to develop an understanding of the suitability of current backgrounds, and potential alternatives



Shared/not shared: We propose to follow the next steps for reviewing the shared and not shared charges



Data inputs: We propose to follow the next steps for reviewing each data input

Annual load factors

- We will assess whether choosing last-year's ALFs is more representative of future actual ALFs than the current approach. If this hypothesis holds true, then:
 - We would test the impact on volatility of shortening the historical timeframe of the ALFs
- Understanding the rationale of CUSC behind considering for the ALF value the higher of (FPN, HH) exporting MW
 - Assess the appropriateness to apply this approach vs other alternatives

Charging bases

- We will analyse the historical evolution of changes between forecasts and final demand to detect:
 - Structural changes in the forecast errors with the shift from net to gross demand.
 - Underlying reasons for the detected gap between preliminary and final demand forecasts.

Week 24 data

- We will analyse the Guidance Notes for Network Operators Submission of Grid Code Data 2011 – 2012 (Incorporating changes for Grid Code B/07 Modifications) to check the degree of prescription that DNOs have to follow for elaborating their Week 24 forecasts, and the extent to which DNOs can follow different estimation methodologies.

TO data

- We will explore solutions for reducing the impact of near-term changes in parameters that stay fixed over the price control period.
- We will check if there is any issue that can be analysed that goes in parallel with the CMP315 and CMP375 processes.

Reference node: Suggested analytical approach

We will combine a qualitative review with a quantitative assessment of the impact of possible alternative approaches.

Original Rationale

We will:

- Review the original rationale for a demand weighted reference node and Ofgem's assessment of possible alternatives
- We will assess the extent to which the original rationale can reasonably be expected to continue to be reasonable as the nature of the electricity network evolves

Qualitative Rationale for alternatives

- We will consider the implications of reasonable alternative reference node options
 - Many of these have been considered by Ofgem previously
- We set out what each option means for:
 - implied network response to new generation;
 - relative locational charges for different technologies; and
 - cost reflectivity principles.

Impact of possible changes

- LCP's model allows for changes to the reference node
 - Therefore, we will assess the impact on TNUoS charges of credible alternative reference node options.



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