

Ofgem is changing the way they charge TNUoS and BSUoS: How will you be affected?

Submitted by: Team Energy

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Following on from the Distribution Use of System (DUoS) changes that came into place in 2022, Ofgem will be changing the way the Transmission Network Use of System (TNUoS) and the Balancing Service Use of System (BSUoS) are charged from 1 April 2023.

Why are these changes coming into place?

To help you understand what these changes could mean for you, our Principal Consultant, Greg Armstrong, breaks down what the changes are, how organisations will be affected and what they can do to mitigate the impact of the new charges on their bills.

There are two main reasons for the changes; to ensure that the way businesses are charged for their proportion of the cost of maintaining the National Grid network is fair, and to support the decarbonisation of the grid as part of the net zero transition.

What is changing?

Transmission Network Use of System (TNUoS)

The TNUoS charges are designed to recover the cost of installing and maintaining the transmission system. Currently, TNUoS is charged on a peak demand methodology (p/kW). The methodology is calculated using Triads; which are the top three half-hourly peaks of national energy demand across the grid, separated by ten clear calendar days between 1 November and 1 March. Organisations are then charged for their usage during the three highest demand half-hours.

When the Transmission reforms are introduced in April, around 90% of the charges will be changed from being based on an organisation's Triad consumption to being charged on a fixed rate basis as follows:

- Half-Hourly Metered Supplies: on a fixed (£/site) basis aligned to an organisation's Available Supply Capacity (ASC). The rates will be determined by bands with increasing charges depending on the ASC.
- Each band has a lower and upper limit, and so by adjusting the ASC and moving into a lower band, organisations could reduce their TNUoS charges.
- Half-Hourly Unmetered Supplies: on a new consumption based charge at p/kWh.
- Non Half-Hourly Supplies: also on a consumption based charge, but between a set period of 4-7pm, at a p/kWh rate.

The band organisations are placed in will depend on their average annual consumption for Non Half-Hourly or the average capacity for Half-Hourly since October 2018 – September 2020. The most up to date band charges can be found on the National Grid TNUoS report (<https://www.nationalgrideso.com/document/266481/download>).

How will this impact organisations?

Currently, many organisations choose to mitigate the costs of Triads by operating Triad avoidance schemes and reducing their electricity consumption during 4pm – 6pm, November – February. Due to the new Transmission Charges, organisations that use Triad avoidance schemes will be impacted. Under the new reforms they will no longer be able to reduce their costs through Triad avoidance, such as turning off equipment to reduce their electricity consumption or load shifting. Businesses with Agreed Supply Capacities that are significantly more than needed will be impacted the most by the new Transmission charges.

Organisations that have a low Available Supply Capacity (<https://www.teamenergy.com/consultancy/energy-management/available-supply-capacity/>) and do not operate Triad avoidance may see a reduction in their Transmissions costs. Organisations that do not have an ASC, and so are charged an all-inclusive unit rate will not see any direct change until their electricity contract renewal.

What can organisations do to mitigate these charges?

One of the main steps businesses can take to protect themselves from the new charges is to review and reduce their Available Supply Capacity. Depending on their size and use of their operations, the need for electricity supply can look different for each organisation. Evaluating how much ASC they really need and reducing it where necessary, will mean they are placed in a lower charging band which will help organisations mitigate the impact of Ofgem's TNUoS reforms.

Organisations that do not have their Available Supply Capacity optimised in-line with their ongoing operations may find that they pay significantly more than they do now for both Distribution (as a result of the DUoS changes introduced in April 2022) and Transmission costs in the new fixed charging regime. It is important for businesses to understand that the TNUoS charges will not be transparent on bills. Many businesses will see their DUoS charges reduced, but the TNUoS charges may go into their standing bill charge, so this value will increase. To find out which band an organisation is in and the breakdown of this cost, we suggest they speak to their supplier.

Balance Service Use of Systems (BSUoS)

Additionally, Ofgem is changing the way Balancing Services Use of System (BSUoS) (<https://www.teamenergy.com/consultancy/energy-management/targeted-charging-review-tcr-explained/>) is charged, from a variable rate to a fixed rate. This means that, for customers that have BSUoS charges passed through to them on their tariff, they will no longer be charged an estimate that is subsequently reconciled and will instead be charged a fixed rate that does not need to be reconciled at a later date.

In addition to this, Ofgem has announced changes to the Balancing Services Use of System (BSUoS) charges. These changes mean that transmission connected generators will no longer have to pay BSUoS costs.

Currently, these charges are calculated daily, based on the amount of energy imported or exported from the grid and are paid by both consumers and energy generators. Following the change in April, the cost

will no longer be charged to the generators but just to the end user instead. This is because recovering BSUoS through generation is inefficient as the costs, including risk premium and transaction costs, are passed through into wholesale electricity costs and are ultimately paid by the customer.

Due to this change, generators will no longer need to take into account the cost of BSUoS and may be able to offer cheaper wholesale power.

BSUoS costs are expected to be high this winter because of the continued high market prices, and so the cost to end customers is hard to estimate. To mitigate the increase there has been proposals from Ofgem to cap BSUoS rates over the winter period, however for now at least, Ofgem are still committed to introducing the changes in April.

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Notes to Editors

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