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Electricity LRAIC
kick-off meeting
20th February 2013

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Agenda

Conceptual approach

TSO network conceptual design

TSO network conceptual design

Project approach

PwC project team

Project plan

Open issues

Immediate next step

Cost base

Uses

- Assesses past behaviour

- Basis for future decisions
- Relevant cost for a new entrant

Positives

- Relatively simple
- Easy to produce

- Supports economically efficient decisions
- Establishes target costs

Negatives

- Embeds economically inefficient allocation of resources
- Misstates real profit

- Complex modelling
- Outputs sensitive to chosen methodology

Modelling approach

Top Down

- takes as a starting point the accounts of an operator
- captures the actual costs of doing business
- embeds current inefficiencies in the model
- requires detailed understanding of current structure of accounting evidence

Bottom up

- ‘builds’ a hypothetical network
- engineering model designed to meet a given level of demand at a prescribed grade of service
- constructs an efficient network

Long Run Average Incremental Costing concept

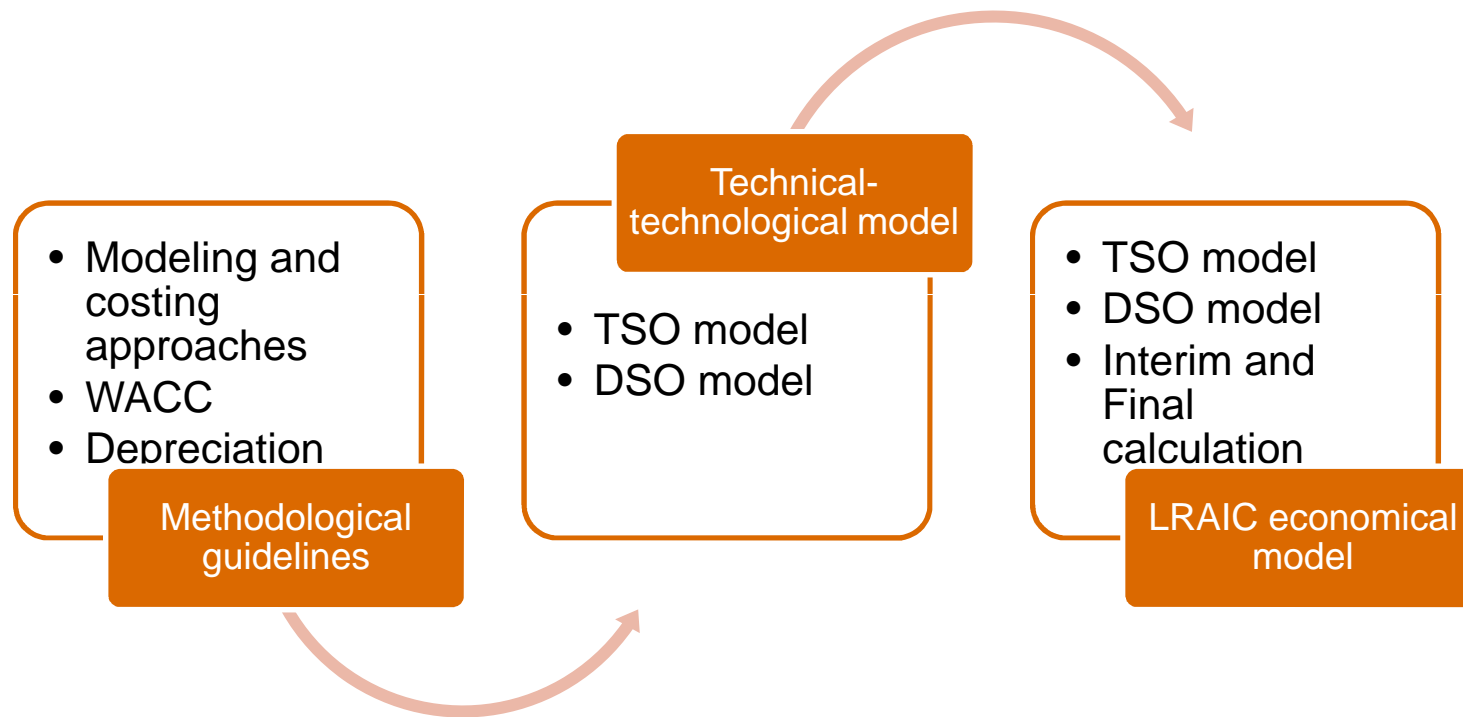
Fully distributed costs (FDC)

- full allocation of costs that are directly or indirectly attributable to the product or service
- allocates direct variable costs, direct fixed costs, share of joint costs and share of common costs to the service or product

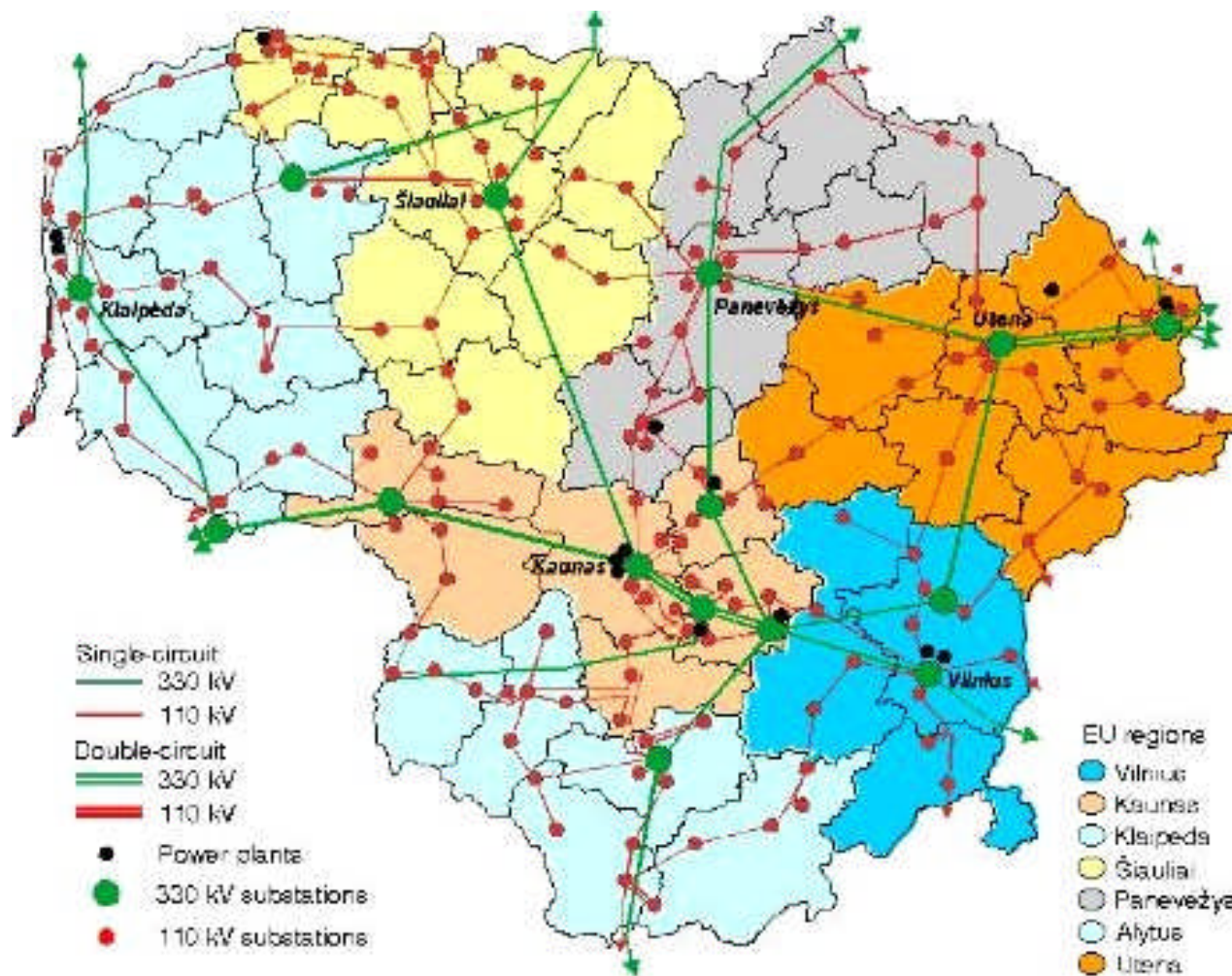
Long-run average incremental costs (LRAIC)

- considers the incremental costs associated with the increase of the output of the product by a discrete increment
- when the increase is represented by a substantial, then both direct variable costs and direct fixed costs will change with the increase of the output of the product or service

Conceptual approach

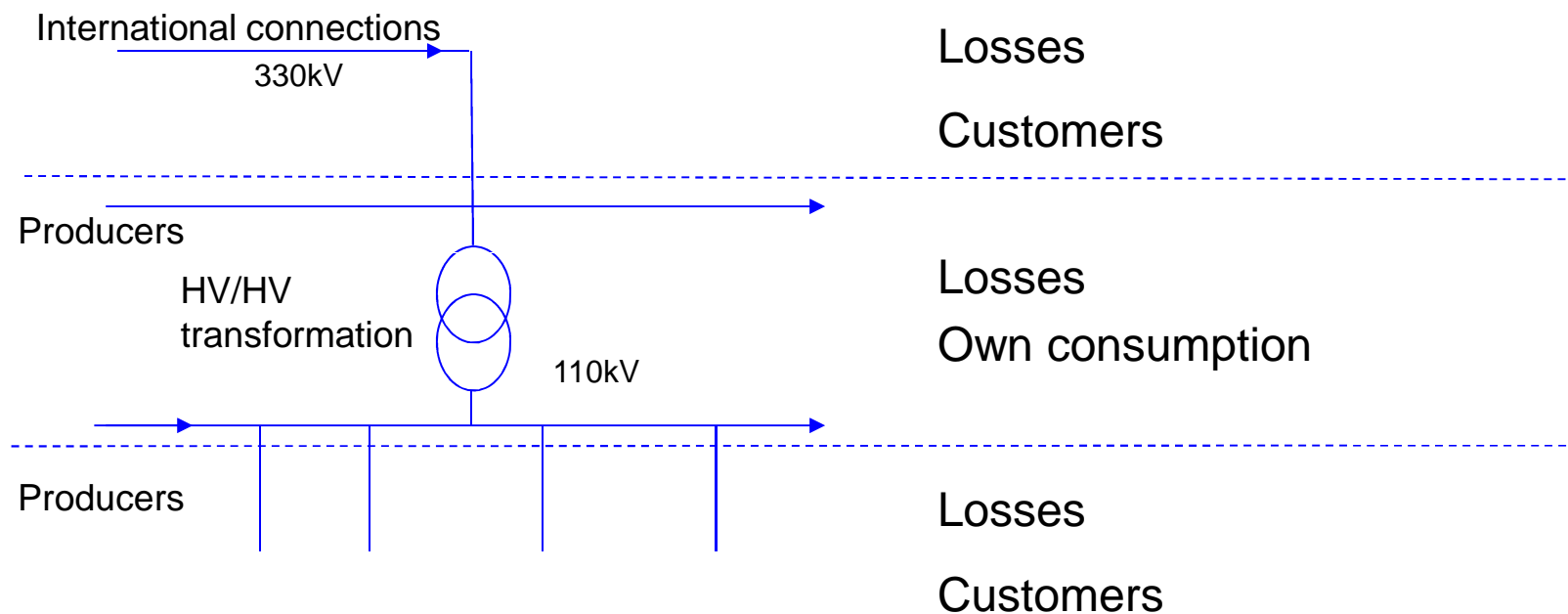


TSO network

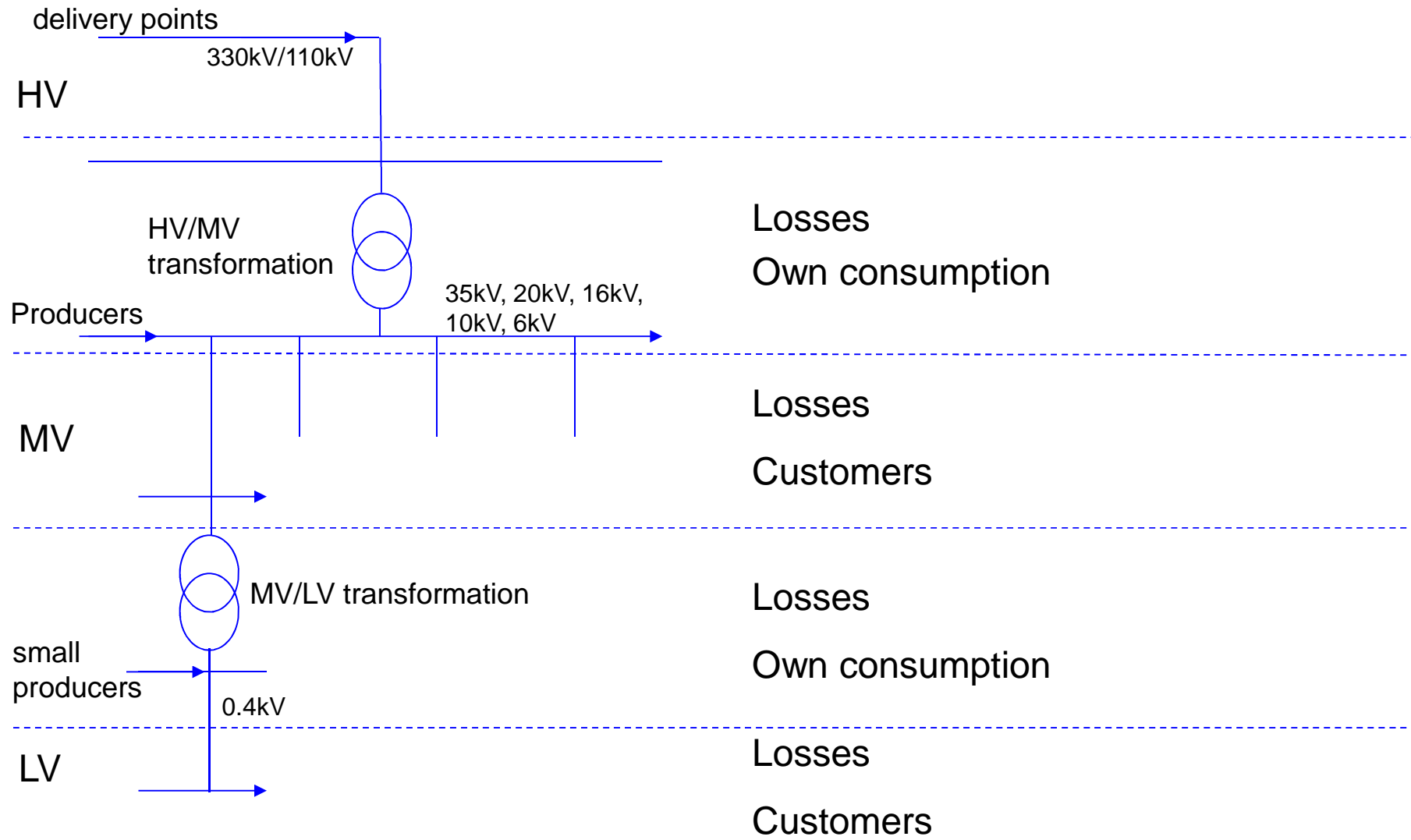


Source: http://www.geni.org/globalenergy/library/national_energy_grid/lithuania/lithuaniannationalelectricitygrid.shtml

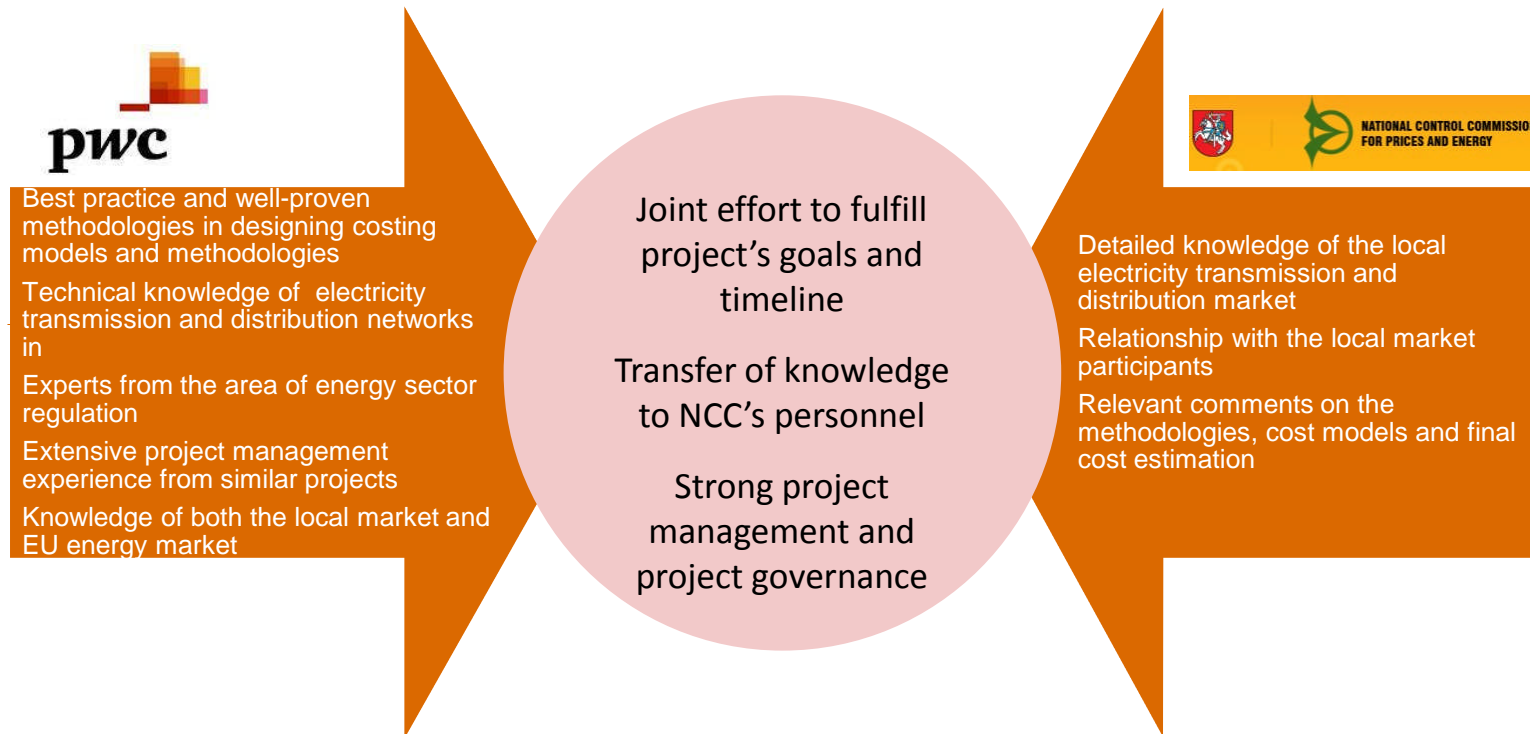
TSO network conceptual network design



DSO network conceptual network design



Project approach



PwC project team

Project leadership:

Audrius Cesiulis/Ivo Dolezal

Electricity engineers:

Jaroslav Sabata,
Rudolf Milota

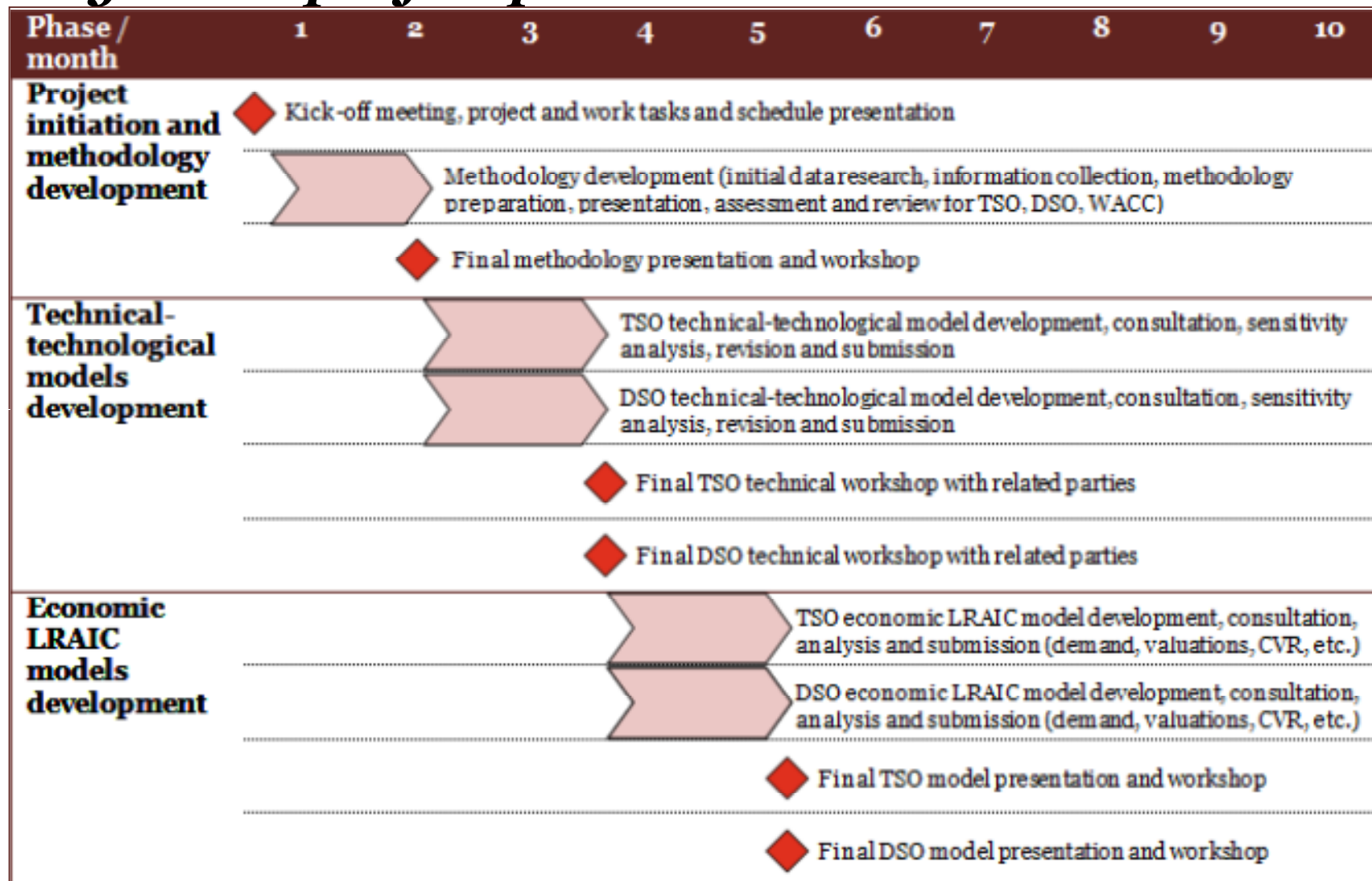
LRAIC experts:

Ondrej Seban,
Martina Habanova

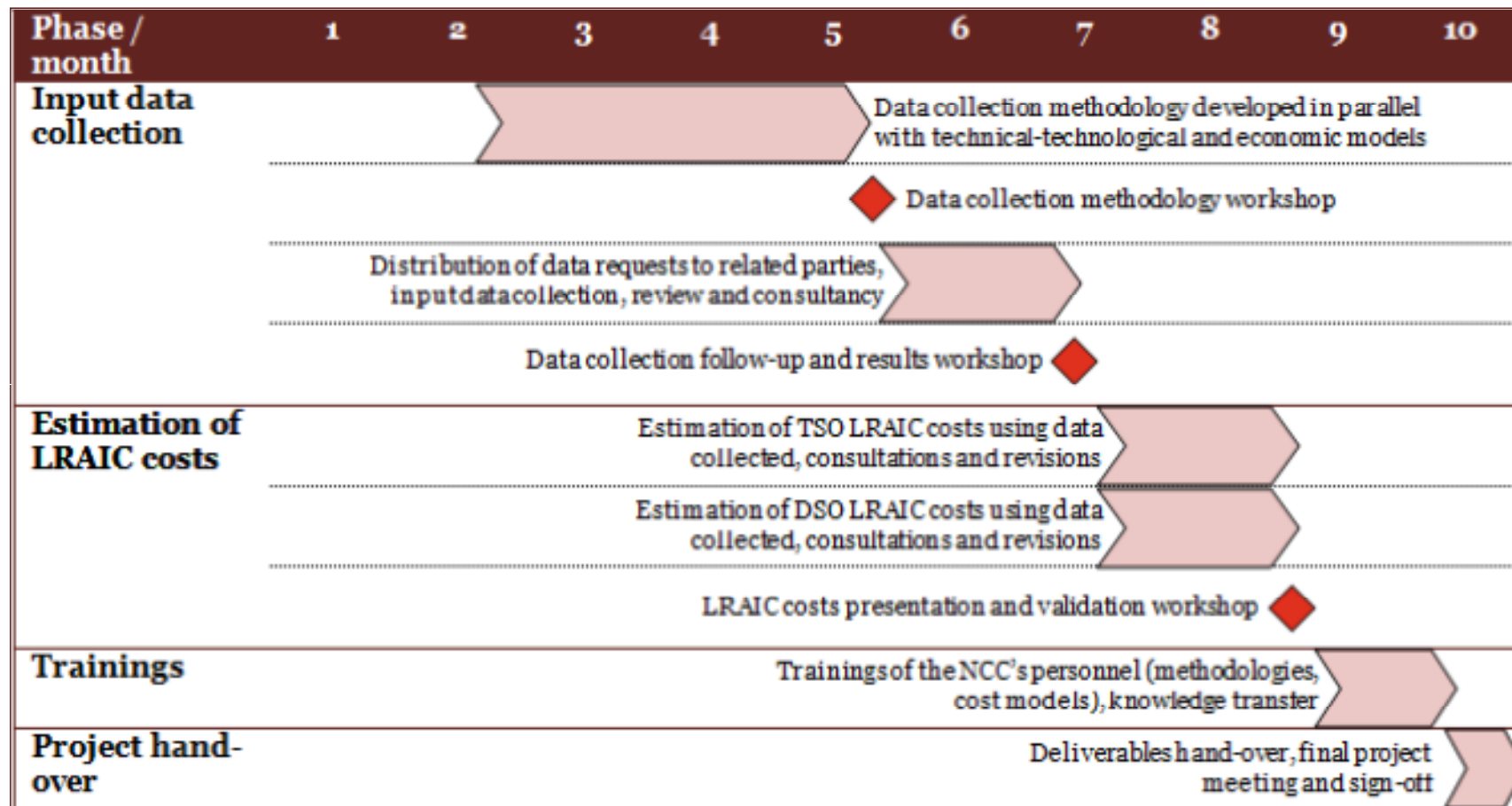
Project team:

Rapolas Striukas and other
Lithuanian consultants as required

High level project plan



High level project plan



Thank you for your attention!

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