



## Targeted Charging Review

TEC are constantly horizon scanning to identify any potential incoming market or policy changes that may affect our Members, and where appropriate provide detailed analysis statements. As a result of this work, we have now identified that the Targeted Charging Review (TCR), which is the upcoming changes to transmission and distribution charges and have been working hard behind the scenes to provide a full understanding and cost impact to the membership.

In August 2017, Ofgem launched a Significant Code Review (SCR) called the TCR. Its aim was to address Ofgem's concern that the current framework for residual and cost-recovery charging that may result in inefficient use of the networks and unfair outcomes for consumers. Ofgem proposes that the current charging methods do not accurately reflect the costs of building, maintaining and operating the electricity system.

The TCR has looked at how electricity network residual charges should be set, for both transmission (TNUoS) and distribution (DUoS). It has also looked at the differences in charging arrangements between transmission connected generators and smaller distribution connected generators (Embedded Benefits).

Transmission and Distribution charges are the costs for transporting energy from the point of generation across the national grid and subsequently from the grid to the end-users: homes and businesses. This is done over the transmission and distribution networks, respectively. The non-commodity costs make up over 70% of the total charges with transmission and distribution making up two thirds of these costs that appear on customers' electricity invoices.

Currently, some users are able to change their operating processes in order to potentially avoid some of their transmission and distribution costs. This is often achieved by powering down during peak times that are expected to be used as part of annual cost calculations. This is known as demand side response (DSR) and Triad avoidance. The TCR consultation was therefore intended to address this by ensuring that costs are fairly distributed across all network users in order to make it fair for those unable to control demand.

### What is Changing?

- From April 2021, the *Balancing Services Use of System* (BSUoS) will be charged on gross demand (previously net demand) and will also see the removal of the embedded benefit for a small generation. Ofgem expects that this will ultimately result in long-term savings for customers.
- From April 2022, the TNUoS residual will be charged as a fixed (£/day) cost for all demand customers instead of the current billing method of (£/MW) for Half Hourly (HH) metered usage and (p/kWh) for peak consumption (~4pm-7pm) for Non-half-hourly (NHH) metered usage. TEC are working on a cost impact for this now published charge and hope to issue out to members shortly.



- From April 2022, the *Distribution Use of System* (DUOS) residual will be charged as a fixed (£/day) method, instead of the current (p/kWh) method. Charges will depend on:  
HH – The voltage of connection and measure of size based on the agreed capacity for larger consumers.  
NHH – Net consumption volume for smaller consumers without agreed capacities.

These charges have yet to be finalised and published but should be issued before the end of March 2021.

What does this mean for members?

- If you are reducing your consumption at peak times, this will no longer help with avoiding paying the fixed DUoS and TNUoS charges.
- If you are at the low end of your newly allocated charging band, you will likely pay a larger proportion in fixed charges, relative to your total bill, when compared to a high consumer in your segment.
- If you are a high consumer, compared to your charging band's average, you will pay a smaller proportion in fixed charges when compared to a low consumer in your segment.
- If you benefit from reducing your consumption and power demand at peak times, you will no longer be able to avoid these charges as the new charging method will be a fixed charge per year.

Summary

- There will be some winners and some losers throughout the membership.
- TEC will provide an individual breakdown of your forecasted position under the new charging system.
- Once full implications are established, and the tariffs published, View will be updated giving a full budgeting overview.