



Targeted Charging Review (TCR)

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Ofgem has announced plans to change the way you are charged for the delivery of electricity from the generator to your meter.

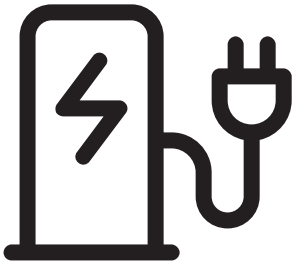
The current charging method

For the national network – Transmission Use of System (TNUoS) – a business contribution towards TNUoS is recovered based on power consumed during peak times under the Triad mechanism (the average of the three highest demands during winter months).

The local network – Distribution Use of System (DUoS) – charges are levied using a time of day banding throughout the entire year.

Why the change?

TCR's aim is to create a level playing field. Ofgem believe that businesses who are unable to flexibly manage their energy load are being unfairly penalised, furthermore, while some end users are benefitting by being able to reduce their costs, the cost of running the network hasn't. The bill for running the network is being met by gradually fewer contributors.



⚡ The new charging method

Ofgem's approach has been to separate the network charges into a residual and locational component which will be recovered through different methodologies.

🔌 TNUoS

Will be effective from 1st April 2022

The residual element (the cost of maintaining the existing network) will be levied as a fixed charge applicable to all users. This will account for some 90% of the charge. The forward looking charge (future investment) will still be levied under the TRIAD mechanism but will only account for about 10% of the charge.

🔌 DUoS

Will be effective from 1st April 2022

This is slightly more complicated because each Distribution Network Operator (DNO) will have their own split between residual and forward looking charges. Some regions, Eastern Power Networks for example, will see little change as it expected 90% of the forward looking charge will be recovered through the present red, amber or green arrangement. Others, Northern Power Grid (Yorkshire), will see more of the DUoS costs covered by the residual (fixed) charge, circa 60%.

Winners and losers

By applying a fixed rate those businesses who currently load manage, and therefore pay low or no residual charge, will likely pay more. Those with no flexibility will likely pay less due to the evenly spreading of the cost.

Controversy

The solar industry has criticised reducing the reliance on volumetric charging to recover network costs, as the change, they claim, will reward the more profligate user. Whilst those who have taken steps to manage and reduce consumption will be penalised. There is also controversy in the creation of a banding range within which a customer will reside. Customers who miss out marginally (by as little as 1kVa of capacity) could face paying thousands of pounds more.

If you would like to understand the financial impact this change may have on your business, please get in touch hello@cec.uk.com

