

Targeted Charging Review FAQs



Ofgem's announcement

What does the recent announcement by Ofgem mean?

On 1 April 2021 Ofgem published an [open letter](#) that indicated a delay to the implementation of changes to the way residual transmission costs are charged as part of the Targeted Charging Review.

Here's the key takeaways:

- It's likely that the changes to the way TNUoS residual costs are charged, from triad based to a fixed cost, are going to be delayed and will now be implemented in April 2023 rather than April 2022 as previously indicated.
- The changes to the way DUoS residual costs are charged will still go ahead in April 2022.
- Ofgem will update us on their plans after 6 May 2021.

TNUoS & DUoS charging

Will we have an issue every year with the new fixed costs, not knowing what the full rates will be, so suppliers have to estimate the TNUoS and DUoS charges?

There is no change to when TNUoS and DUoS is forecast, the change is to how costs are recovered through the fixed and unit rates from April 2022. DUoS is finalised 15 months in advance and TNUoS two months in advance.

If a site has been avoiding the triads to reduce their TNUoS costs, will they be facing higher charges?

Yes. Ofgem deemed that sites should only be able to react to approximately 10% of TNUoS charges collected through triads. The previous methodology allowed for 100%.

TNUoS & DUoS charging

Why might a supplier not have included the cost of TCR yet?

There are a few potential explanations for this:

- They have not yet updated their quoting systems to change how the residual cost is charged;
- As the overall cost (with the exception of the transition cost) is the same, they could be choosing to subsidise the sites where they are under recovering by taking the overcharge on the sites they are over recovering, taking the risk that their overall portfolio will balance out.

What are the risks to customers if the residual charge is not in the standing charge?

There are several potential risks:

- If the fixed charge is being spread over the energy consumed, a site which consumes more energy than was forecast will be paying more than they need to. The question is will the supplier refund the overcharge?
- If the fixed charge is being spread over the energy consumed, a site which consumes less energy than was forecast will be paying less than they need to. The question is will the supplier reconcile this cost in order to collect the correct amount?
- The same would apply if the cost is built into the availability charge. If the site was to increase or decrease their availability during the course of the contract, the supplier may need to recover underpayment and make a decision on whether to refund any overpayment.

TNUoS & DUoS charging

Do we know costs implication expected on the North West are yet?

We do for DUoS tariffs (see link below) and National Grid System Operator will give a latest forecast for TNUoS tariffs at the end of March 2021.
<https://www.enwl.co.uk/about-us/regulatory-information/use-of-system-charges/current-charging-information/>

Why are there negative values for the DUoS costs in the London Area (DNO 12)?

For DUoS the TCR changes to residual charges represent 50% of the total DUoS costs for the site. The other 50% (forward looking charges) will continue to be collected through the red, amber, green method.

Unlike the rest of the country, commercial sites in London have a much higher consumption in the red time periods. Therefore, more than enough money is collected through the current method for forward looking costs to cover the total DUoS charge. To ensure that the London DNO does not simply keep this money, it adjusts the residual component to a negative value / rebate so it only ever collects what it is allowed to do so.

What % of DUoS charges were fixed prior to TCR?

We're unable to give exact figures, but this was a very low percentage and varied by region.

TNUoS & DUoS charging

The Residual Cost has been referred to as "£/site". Is this "£/site/year" or "£/site/once in lifetime"?

£/Site/Year.

How will sites with related or aggregated MPANs be treated?

Sites with multiple MPANs will only pay one set of residual charges, as long as they are located within the same site boundary.

How are customers that are directly linked to the electricity network be impacted?

All sites, regardless at what point they are connected to the electricity network, will be liable to pay their share of the residual charges. The only way to avoid residual network charges is to disconnect from the network entirely.

Bandings

Are the bands reviewed annually?

The bands are not reviewed annually.

A site will be in the band it's allocated until April 2026, which coincides with the end date of the TNUoS price control period. This is the budget that the network companies set with Ofgem, the regulator. At the end of this period, network companies will calculate the bands again and use a new set of historic data to allocate which band a site will be in for the duration of the next price control period.

If someone moves into a new property, are they able to challenge the banding that exists?

In short, yes. If a site was inherited and there was a change in use, there is a disputes process in place to allow any site that reduces either it's supply capacity or it's consumption by more than 50% to challenge their banding with their DNO.

If a site reduces their ASC to fall within a lower band will they receive the lower cost?

No. Reducing the ASC will not affect the banding as they're fixed until April 2026, unless the reduction allows a successful challenge to the banding (is over 50%). Any reduction to the ASC may impact which band that site is in after April 2026.

Bandings

Have the bands been calculated on the last 24 month maximum demands based on HH data, or the ASC over the last 24 months?

They have been calculated based on the ASC. If a site was charged excess capacity charges during this period, this will not be included in the average calculation.

Are the bandings for Profile Class 03/04 the same as bandings for Profile Class 05/08 whole current?

Yes, it's the same bandings for Profile Class 03/04 as for Profile Class 05/08 whole current sites .

Are the associated costs for Profile Class 03/04 and Profile Class 05/08 Whole Current the same?

Yes, it's the same costs for Profile Class 03/04 as for Profile Class 05/08 whole current sites.

Capacity

Once a band is fixed for five years, are changes to capacity reviewed regularly, or only at the end of the five year period?

A site is allocated a band for 5 years equal to the length of a regulatory price control. If a sites capacity falls by greater than 50% there is a dispute process in place. If that then moves a site into a lower band then those charges will be reflected going forward.

Where a site has exceeded the Agreed Supply Capacity (ASC), will the ASC be used to determine the banding, or the exceeded value?

The ASC, as agreed by the distribution company, will be used to determine the banding. Any excess capacity is not considered.

If the maximum demand at a site exceeds the ASC and the ASC has been used to determine a site's banding, who pays for any increase to the sites ASC?

The customer will be responsible for covering the cost of increasing the site's ASC where needed. The DNO will amend if the increase changes the site's banding.

For sites with embedded generation, are these charges applied to export capacity as well?

It is based on you Maximum Import Capacity.

Are the LLF's going to be alphanumeric now? Will that cause a problem for some suppliers?

The LFF's will be a mixture of numeric and alphanumeric depending on the DNO. This may cause a problem for some suppliers, but EDF has updated our systems to manage this.

During the process of LLF's being updated, will this cause supplier's problems if the LLF's supplied by customers differ to the LLF's in the industry systems?

For EDF, our processes will allow us to use either the old or the new LLF in order to price the offer correctly. We can't say if this will cause other suppliers issues.

Law

When do these changes become law?

The changes will become law when the CUSC for TNUoS and the DCUSA for DUoS is updated to reflect the new charging methodology. DCUSA change in law happened on the 30 September 2020 and our estimate of a change to CUSC is September 2021.

COVID-19

If suppliers opted to recover the new fixed costs via the customers unit rates, how could this be impacted by COVID-19?

If a site has been affected by COVID-19 and has seen a reduction in consumption, which then returns to normal by April 2022, likely that the supplier will be over recovering the DUoS fixed costs charged to them by the DNO.

Will the 24m period used to determine the banding include any of the COVID-19 period where potential demand destruction occurred?

Possibly. There has been no set data period that the DNOs have been required to use to calculate the average consumption or capacity. Each DNO was responsible for this calculation. We believe the period used was between 2018 and 2020.

Thank you

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