

Frequently Asked Questions: Targeted Charging Review

Under the Targeted Charging Review (TCR) Ofgem sought to make changes to the way in which some of the costs of the electricity networks are recovered. The aim is that the 'residual charges' – that is the fixed costs of providing existing pylons and cables – are recovered more fairly. It aims to do this by lowering the effect of time-sensitive cost attribution and redistributing the share of the network costs.

Network costs are the costs to transport your energy from its source to your site. They include Transmission Use of System charges (TNUoS) – that is the cables that move large amounts of energy across long distances – and Distribution Use of System charges (DUoS) – that is the cables that take the energy from the transmission network into individual buildings.

Historically these charges were recovered based on the amount of energy consumed, combined with when and where the energy consumption took place. Increasingly, large industrial users were able to avoid their share of the costs by reducing their demand on the grid at peak times through on-site generation or energy storage.

The revised charging system will introduce fixed banded prices, which will mean that consumers of a similar type in the same geographic area will pay the same charge towards network costs.

I have a half-hourly meter, how will this affect me?

Half-hourly settled consumers will be allocated a charging band based on their voltage connection, and then further segmented based on their agreed capacity level.

I have a non-half-hourly meter, how will this affect me?

Non half-hourly consumers connected to the low-voltage network will be assigned one of four price bands based on their annual consumption.

I'm in a fully fixed contract, will my prices change?

The changes are set to be implemented from April 2021, but if you are on a fixed price contract that extends beyond that date, you may see your supplier invoke the change of law clause to adjust their prices mid-contract in order to recover their increased costs.

Change of law clause:

When there is a change in law or regulations that affects the cost to supply energy to your premises, your supplier reserves the right to increase your fixed price during the contract.

Can I do anything to prevent my prices changing?

It is critical that you ensure that your capacity (kVA) corresponds with your site's usage. The introduction of DCP161 brought in penalties for half-hourly metered sites that exceed their agreed electricity capacity, with an excess charge that is 2.5 times higher than the agreed available capacity charge. However, should your capacity be too high, not only are you paying more than you need to, but it may also impact which charging band you fall into. For example, the difference between the first band and the fourth band for low voltage half-hourly consumers is more than £5,000 per year, while for high voltage half-hourly consumers it is more than £75,000 per year!

How can you help?

The financial implications of the reform will hit some businesses harder than others, with non-domestic consumers with a moderate level of energy consumption facing an increased share of the costs. We are contacting all suppliers to understand how this will affect various products and will share more news as we know it.

If you would like to understand more about what this reform means for your business, contact us.