Targeted Charging Review

FAQs

March 2021

TCR Implementation FAQs

Introduction

This document is intended to provide answers to commonly asked questions regarding the Targeted Charging Review (TCR) which has a deadline implementation date of April 2022. This document primarily covers the activities for which the distribution networks (the DNOs and IDNOs) and the National Grid Electricity System Operator (ESO) are responsible for during the implementation and on an enduring basis. If you have any further questions having reviewed this document, please contact tcr@energynetworks.org.

The scope of the FAQs is specifically limited to the Demand Charge Residual elements of the TCR Significant Code Review. It does not cover other elements of the TCR such as the changes to BSUoS or to the Transmission Generation Residual (TGR). Also, where applicable, the answers to the questions are specific to standard generators and do not cover the arrangements for storage facilities which are being developed separately. The changes to the treatment of storage facilities are detailed in DCUSA change proposal DCP341/342, CUSC modification CMP280 and BSC modification P383.

Reference documents

Many of the FAQs are responding to questions on the detail within the following documents:

- DCUSA Schedule 32 – Residual Charging Bands; and
- CUSC Sections 3, 11 and 14.

Elexon has also produced an FAQs document, that can be found here, to answer questions relating to the MDD changes and related Testing activity.

FAQs

Q1. What charges will I be liable for?

A. Ofgem view use of system charges as falling in one of two categories: (i) forward—looking charges, which incentivise behaviour e.g., time of use locational charges; and (ii) 'residual' charges which ensure that network companies recover their allowed revenue (a 'top-up' charge). The charging elements remain unchanged: the TCR is simply seeking to ensure that a proportion of revenue to be recovered, the residual, is allocated such that it does not incentivise behaviour. The total amount of revenue to be recovered and the charging components have not changed. There will be a redistribution of how much is recovered from some components, generally with volumetric (e.g., p/kWh) charges reducing, and fixed (p/day) charges increasing.

Non-Final Demand Sites (as defined in both the DCUSA and CUSC respectively) with be liable for a charge that includes the forward-looking element only. They will not be charged the residual element.

Forward-looking charges are under review within Ofgem's Access and Forward-Looking Charges Significant Code Review.

Q2. When and where will the bands be published?

A. The ESO, in their role as the 'Banding Agent', has calculated the distribution bands using data provided by the DNOs and IDNOs as per the methodology in DCUSA Schedule 32. The bands were published in November 2020 and can be found on the Charging Futures website here. These bands will apply from 1 April 2022 to 31 March 2026.

Q3. Are the bandings to which a site has been allocated final and can't be changed even if a customer reduces their MIC?

A. The charging bands are final and will apply from 1 April 2022 to 31 March 2026. The allocation to a band can only be changed: (i) if the site transitions between a Final Demand Site and Non-Final Demand Site as set out in paragraph 5 of DCUSA Schedule 32; or (ii) if exceptional circumstances apply as defined in paragraph 6 of DCUSA Schedule 32; or (iii) following a successful dispute as defined in paragraph 7 of Schedule 32. Where exceptional circumstances do apply, and the change in the Maximum Import Capacity (MIC)/ annual consumption (as applicable) meets the materiality threshold (as defined in paragraph 6.3 of Schedule 32), the allocation of the site will be assessed on the latest MIC and/or consumption, independently of the (maximum) 24-month average used to allocate the site.

For Transmission Connected Sites the above is broadly similar however this is documented in CUSC section 14.15.

Q4. Are the band boundaries different between distribution networks (DNOs and IDNOs), or between Distribution and Transmission?

A. No, the charging bands are the same across Great Britain and are consistent between all distribution networks and Transmission. It is worth noting that the charge applicable to each band may vary however.

Q5. What constitutes a 'site'?

A. For the purposes of the TCR, DCUSA Schedule 32 defines a Single Site as "one or more Non-Domestic Premises that are connected to the distribution system pursuant to a single Connection Agreement (whether a Bespoke Connection Agreement or one created via the National Terms of Connection)". Effectively this means that definition of a 'site' remains unchanged; a 'lead MPAN' and all subsidiary MPANs are a Single Site, where (e.g.) all MPANs are identified by a single connection agreement. For Transmission connected sites, this is defined in CUSC Section 11 "the Connection Site as defined in the Bilateral Connection Agreement".

Q6. For sites charged based on a MIC, are the bandings based on a customer's MIC or their demand over the last 24-months?

A. The allocation of customers to charging bands is defined in paragraph 4 of DCUSA Schedule 32. Specifically, for sites with a MIC, the bandings are based on the average MIC over a 24-month period, where available – where not available, the average of the data available is generally used.

Q7. Can a customer reduce or increase the MIC outside of the upper/lower band limits?

A. Yes, the customer can change capacity in the same way they could previously, but the change will have no bearing on the allocated band until 1 April 2026; subject to paragraphs 5 and 6 of DCUSA Schedule 32 i.e., if

the site transitions between a Final Demand Site and a Non-Final Demand Site and unless the exceptional circumstances criteria have been met.

Q8. Will any change to MIC in this price control period be what is used to determine the charging band in the next price control period?

A. Yes, the same method (a 24-month average, where available) will be used to determine the allocation to the charging bands effective from the next price control period (e.g. RIIO-ET3). So, if the average capacity changes enough to move the MPAN into a different band they will be on that new band effective from the start of the new price control period. However, we do not know what the band boundaries will be e.g., if a lot of customers reduce, then it is safe to assume that the upper thresholds will also reduce.

Q9. What is the deadline for providing Non-Final Demand certification?

A. The deadline for receipt of a valid certificate for a distribution-connected Non-Final Demand site is 31 July 2021, as defined in Section 5 of DCUSA Schedule 32. For sites that connect within a price control period, see Q12.

For transmission-connected Non-Final Demand Sites, a signed declaration will need to be provided to National Grid ESO who will confirm the process once the relevant CUSC modifications are approved by Ofgem.

Q10. Who is required to sign the certificate? Does it need to be signed by supplier or by the customer?

A. CVA sites are to be signed by the customer or CVA registrant (if different), otherwise the supplier signing is fine. This is set out in the definition of Non-Final Demand Site in DCUSA Schedule 32, and also in the certificate form itself. The certificate is set out in the DNOs Relevant Charging Statement (as defined in the DCUSA, i.e. a DNO 'LC14 statement'). The certificate can be signed electronically or wet ink, and a copy per-site should be sent via email to the respective distributor.

The following table provides the distributor contact details to send the signed certificates to[1]:

Network Company	Email address
BUUK (IPNL and ETCL)	regulatory@gtc-uk.co.uk
Eclipse Power (GGEN)	enquiries@eclipsepower.co.uk
Energy Assets (UDLN)	regulation@energyassets.co.uk
ENWL	terms&conditions@enwl.co.uk
ESPUG (LING)	mpas@espug.com
Forbury Assets (FORB)	FALConnections@sse.com
Indigo (INDI)	megan.goss@indigopipelines.co.uk
Last Mile (GUCL)	electricityinfo@lastmile-uk.com
Leep Utilities (PENL)	regulation@leeputilties.co.uk
NPG	tcr@northernpowergrid.com
SPEN	COMMERCIAL@spenergynetworks.co.uk

[1] This table will be updated shortly with the addresses for the IDNOs currently not listed.

SSE	authorised.capacity@sse.com
Vattenfall (VATT)	idno.billing@vattenfall.com
WPD	wpdnonfinaldemand@westernpower.co.uk
UKPN	distributionpricing@ukpowernetworks.co.uk
UK Power Distribution (UKPD)	newconnections@ukpowerdistribution.co.uk

Q11. Will the allocation list be issued annually?

A. No. The issuance will be for the next price control period in accordance with paragraph 3.5 of DCUSA Schedule 32 i.e., when the charging bands are reviewed; however, this is subject to any changes to the DCUSA and/or exceptional circumstances which may require a voluntary provision of information.

Q12. How will new sites be allocated?

A. New sites with a MIC as the basis for their future use of system charge will be banded based on the capacity in the connection agreement which is known prior to energisation. New sites without a MIC as the basis for their future use of system charge will be allocated based on information that is appropriate for a typical profile of a similar site to best estimate the expected annual import consumption. The Non-Final Demand certification is likely to be part of the new connection process, although that process has not yet been finalised.

For Transmission connected sites, the exact method for the allocation of new sites is to be confirmed by Ofgem as part of its decision on CUSC Modification Proposal (CMP) 335/336, but the options are;

1. Based on an average of all Transmission-connected sites.
2. Based on an average of all Transmission-connected sites with a review once actual data is available
3. User self-reported

Q13. How will a Supplier/consultant know which band a Site is allocated (or will be allocated) to?

A. As detailed in DCUSA Schedule 32 paragraph 2.5, for distribution-connected sites, each distributor should have provided all suppliers with a list of all non-domestic MPANs and the band to which that MPAN has been allocated.

For Transmission connected sites, National Grid ESO are responsible for allocating sites and will be able to advise, please contact tnuos.queries@nationalgrideso.com.

Q14. Are you able to confirm when your LLF Migration for TCR would take place?

A. LLFCs are used to identify how an MPAN (and therefore a site) should be treated under the TCR arrangements. Consequently, certain MPANs' LLFC must be updated in MPAS. The LLFC migration process for the TCR is being coordinated centrally by the ENA and Elexon, and the latest migration plan is available on the Charging Futures website here. Each distributor has been allotted a specific 'window' during the period January 2021 to October 2021, however this is subject to change and any material changes will be notified in advance.

The Elexon FAQs (published here) includes a list of the flows that report data by LLFCs and may be impacted by the TCR implementation, and also the flows that may be specifically impacted by the LLFC migration activity. It has been strongly recommended that Suppliers and Supplier Agents carry out their own assessments on the

impacts of the Targeted Charging Review on their business' processes and systems. The anticipated rates per day of LLFC transfers is detailed within the migration plan.

Q15. Will the annual residual charges (per MPAN per year) in the 'Residual Charging Bands' worksheet (of the published schedule of charges) be separate to the daily fixed charges?

A. No – the daily fixed charge includes this.

Q16. Will the LLFCs be two characters, or will they have a leading zero?

A. No leading zero – there will be some two character (and alphanumeric) LLFCs.

Q17. Is there a 1-2-1 mapping of Measurement Class to the residual charging band 'groups' (e.g. LV no MIC, LV MIC, HV and EHV)?

A. No, Measurement Classes can relate to more than one voltage of connection e.g. MC C/E can apply to both LV and HV.

Q18. Are you planning on showing the new LLFC on invoices to suppliers before April 2022?

A. The LLFC shown will be the current LLFC therefore, once migrated to the new LLFC, this will be the only LLFC shown.

Q19. Will you be closing the current (pre-TCR) LLFCs before April 2022?

A. Whilst we had planned to close any redundant LLFCs in MDD once all customers have been migrated to the new LLFCs – to stop any new MPANs being assigned to the redundant LLFCs – we can wait until after April 2022 so long as a process is in place to prevent the old LLFCs being assigned. This is to be confirmed. Many current LLFCs will remain used by DNOs for the respective Band 1 sites to reduce the number of MPANs that require migration.

Q20. Does the TCR impact on the changes set out in DCP341/342 to amend the application of residual charging in respect of storage facilities in the CDCM and EDCM?

A. No, the TCR scope does not include storage facilities and does not impact on or require any changes to DCP341/342.

Q21. Will a 'secondary MPAN' receive a residual fixed charge?

A. No. In the data provided to all suppliers (showing the charging band to which all non-domestic MPANs have been allocated), where distributors have flagged an MPAN as 'secondary', that MPAN will not received a residual charge, but the site as a whole will (if it is a Final Demand Site). For DNO billing systems, it is necessary that all MPANs associated with a site have the same LLFC, but when that site is invoiced the consumption and capacity for all MPANs are aggregated and the site as a whole receives a single invoice to the 'lead MPAN' – this includes a single fixed charge for the site. The information provided by distributors to

suppliers may therefore suggest that a secondary MPAN has been allocated to a charging band, but the MPAN will only be invoiced as part of a site. Where an MPAN has been flagged as 'secondary', these include non-half hourly 'related MPANs', which are allocated a specific tariff that does not include any fixed charge component. For TNUoS, NGESO will receive information by charging band only and that information will include MPANs to be invoiced only (i.e. Final Demand Sites and unmetered supplies).

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