



## Targeted Charging Review (TCR)

In November 2019, Ofgem made the decision to implement changes to the DUoS and TNUoS charging regime. Currently, DUoS & TNUoS charges are split between Residual and Forward-Looking charges. This was designed to encourage and incentivise customers to 'load manage', avoiding expensive periods of high demand. Ofgem believes that this has disadvantaged customers who cannot load manage. To address this, it introduced the Targeted Charging Regime (TCR) to allocate costs more fairly to customers by amending the Residual charges for DUoS and TNUoS.

Unit rate charges, which can currently be avoided either through volume shifting or onsite generation, will be replaced by Standing Charges (p/day), which cannot be avoided.

The new Residual charges will be allocated via charging bands replacing the current tariff structure.

### Transmission Network Use of System (TNUoS) Charges

TNUoS charges are comprised of two main components, Residual, which is the cost of maintaining the existing network (the majority of the total rate) and Locational which is the incremental cost of adding to the network at a particular location.

Currently the TNUoS residual charge is a single p/kWh for all Non-Half Hourly Meter Point Administration Numbers (MPANs), and a single £/kW unit rate for all Half Hourly MPANs.

The following table shows how the current Residual and Locational elements of TNUoS combine to create the total tariffs for the 2021/22 charging year:

2020/21 HH TNUoS Charges by GSP	Residual (£/kW)	Locational (£/kW)	Total (£/kW)	Residual as a % of Total
Northern Scotland	51.03	-29.90	21.13	242
Southern Scotland	51.03	-22.27	28.76	177
Northern	51.03	-11.01	40.02	128
North West	51.03	-4.36	46.67	109
Yorkshire	51.03	-3.20	47.83	107
N Wales & Mersey	51.03	-2.13	48.90	104
East Midlands	51.03	0.36	51.39	99
Midlands	51.03	1.62	52.65	97
Eastern	51.03	2.46	53.49	95
South Wales	51.03	-0.42	50.61	101
South East	51.03	5.47	56.50	90
London	51.03	8.24	59.27	86
Southern	51.03	6.74	57.77	88
South Western	51.03	5.99	57.02	89

The goal of the TCR is for the residual charge to be proportionate with a customer's use of the electricity network – so just two unit rates for all customers is not an option. In April 2022\* the residual charge will move to fixed charges and the level of charge will be specific to the region, customer type and banding level.

\*On April 1<sup>st</sup> 2021, OFGEM issued an [open letter](#) with a recommendation that this date should be pushed back to April 2023, however, this will now need to go through a formal consultation process following the completion of the government elections in May 2021.

# Distribution Use of System Charges (DUoS)

The DUoS Residual charge is currently a single p/kWh unit rate that applies to all demand tariffs in a Distribution Network Operator (DNO) region.

The goal of the TCR is for the residual charge to be proportionate with a customer’s use of the electricity network – so a single rate for all customers is not an option. In April 2022 the residual charge will move to fixed charges and the level of charge will be specific to the region, customer type and banding level.

The 7 existing Low Voltage (LV)/High Voltage (HV) metered demand tariffs per region will be split into 23, as follows:

2021 LV/HV Metered Demand Tariffs	2022 LV/HV Metered Demand Tariffs
Domestic Aggregated	LV Domestic Aggregated
Domestic Aggregated (related)	LV Domestic Aggregated (Related)
Non-Domestic Aggregated	LV Non-Domestic Aggregated (No Residual)
	LV Non-Domestic Aggregated Band 1
	LV Non-Domestic Aggregated Band 2
	LV Non-Domestic Aggregated Band 3
	LV Non-Domestic Aggregated Band 4
Non-Domestic Aggregated (related)	LV Non-Domestic Aggregated (Related)
LV Site Specific	LV Site Specific (No Residual)
	LV Site Specific Band 1
	LV Site Specific Band 2
	LV Site Specific Band 3
	LV Site Specific Band 4
LV Sub Site Specific	LV Sub Site Specific (No Residual)
	LV Sub Site Specific Band 1
	LV Sub Site Specific Band 2
	LV Sub Site Specific Band 3
	LV Sub Site Specific Band 4
HV Site Specific	HV Site Specific (No Residual)
	HV Site Specific Band 1
	HV Site Specific Band 2
	HV Site Specific Band 3
	HV Site Specific Band 4

7 tariffs 23 tariffs

These tariffs all currently have the same p/kWh residual charge

Each tariff will have unique £/day residual charges

## How will this impact charges to customers?

Charges to customers will become more granular and the dependency on consumption will be removed. As a result, if a customer currently ‘optimises’ their charges by reducing demand at expensive times of the day, or by generating their own electricity, the charges will be likely to go up.

Also, if a customer has a particularly large connection capacity, relative to their average demand level (a low load factor), the charges could go up too. However, if the connection capacity is only just above the regular maximum demand (a high load factor), then charges may go down.

If your site consumes power for the purpose of storing or generating power, i.e., non-final demand, you are exempt from paying these residual charges. Speak to your Account Manager and we will help you through the certification process to avoid these charges.