

Industry Focus

Targeted Charging Review (TCR)

On the 21st November, Ofgem announced its decision on the Targeted Charging Review (TCR) Significant Code Review (SCR) which looks at how some of the costs of the electricity networks are recovered.

At present a network charge rate consists of two parts; a signal or incentive element (Forward-Looking Charge) and a revenue collecting element (Residual Charge).

The TCR will change the way the Residual Charge is collected, separating it from the Forward-Looking charge. This means that revenue is no longer providing a signal for people to avoid charges through behaviours such as load shifting or on-site and embedded generation. The change is designed to remove any unintended distortions and improve fairness in a practical and proportional way.

What is changing?

Network Residual Charges

Distribution and Transmission residual charges will likely be separated and applied as a fixed daily charge per demand meter and banded so that each network user pays their fair share of cost. To ensure this is as fair as possible Ofgem has proposed segmentation for Non-domestic customers into 16 charging levels: 4 each for Low Voltage based on net consumption volume and Low Voltage with agreed capacity, and 4 each for High Voltage and Extra High Voltage EHV, segmented by Agreed Capacity charging (kVA).

Segment	Subsegment	Lower volume threshold (kWh)	Upper volume threshold (kWh)	Lower capacity threshold (kVA)	Upper capacity threshold (kVA)
Domestic	Single Segment				
LV NHH	1st Band	-	5,403		
	2nd Band	5,403	17,538		
	3rd Band	17,538	33,559		
	4th Band	33,559	-		
LV HH	1st Band			-	80
	2nd Band			80	150
	3rd Band			150	225
	4th Band			225	-
HV	1st Band			-	400
	2nd Band			400	900
	3rd Band			900	1,600
	4th Band			1,600	-
EHV	1st Band			-	2,200
	2nd Band			2,200	10,000
	3rd Band			10,000	19,090
	4th Band			19,090	-

Source: Frontier Economics

Implementation dates: Transmission Fixed charges: April 2021 Distribution Fixed charges: April 2022