



Utility Customer Service Management Ltd.

Submission to Ofgem
January 2019

Targeted charging review: minded to decision and draft
impact assessment consultation.

UCSM Ltd acts as a Utilities consultancy spanning all utilities predominantly across the south of England and targeted towards small to medium sizes Customers hence, over 85% of our works is in the area of domestic supplies.

We are not a third-party intermediary but do interreact on behalf of our Customers with suppliers and it is based upon this background, this submission is made.

1. Do you agree that residual charges should be levied on final demand only?

No, there appears to be no clear justification for this approach.

If a Customer exports a capacity "A" then the expectation on the network is for it to accommodate capacity "A" – the same as if the very same Customers was a demand Customer with capacity "A". In essence, whether demand or generation the impact on the network is essentially, the same.

We do however acknowledge this approach creates some complexities in terms of community energy scheme type approach where multiple Customers contract together for a mutual benefit and the impact of this in both technical and financial terms on the wider supply network. In this instance, some value would need to be attached to the reduced expectation on the wider system being achieved by such an approach.

2. Do you agree with how we have assessed the impacts of the changes we have considered against the principles? If you disagree with our assessment, please provide evidence for your reasoning.

No comment.

3. For each user, residual charges are currently based on the costs of the voltage level of the network to which a user is connected and the higher voltage levels of the network, but not from lower voltage levels below the user's connection. At



Utility Customer Service Management Ltd.

this stage, we are not proposing changes to this aspect of the current arrangements. Are there other approaches that would better meet our TCR principles reducing harmful distortions, fairness and proportionality and practical considerations?

No comment.

4. As explained in paragraphs 4.41, 4.43, 4.46, 4.49, 4.80, we think we should prioritise equality within charging segments and equity across all segments. Do you agree that it is fair for all users in the same segment to pay the same charge, and the manner in which we have set the segments? If not, do you know of another approach with available data which would address this issue? Please provide evidence to support your answer.

No comment.

5. Do you agree that similar customers with and without on-site generation should pay the same residual charges? Should both types of users face the same residual charge for their Line Loss Factor Class (LLFC)?

No, provided the on-site generation is used to reduce overall demand for 100% of time i.e. the wider network is not used as a back-up for on-site generation failures. This approach needs to remain to encourage Customers (either singly or in multiples) to both understand the impact of demand on the wider network and to be able to take steps to benefit from steps taken to reduce demand on the wider network.

In effect, accepting the principle that generation has a direct impact on units of energy consumed from the wider network and potentially a direct impact on the technical limitations of the wider network.

6. Do you know of any reasons why the expected consumer benefits from our leading options might not materialise?

As the total residual costs will remain the same then any benefits some Customers receive will be offset (in financial terms) to a disadvantage other Customers will experience i.e. the overall system residual cost has not changed.

7. Do you agree that our leading options will be more practical to implement than other options?

No comment.

8. Do you agree with the approaches set out for banding (either LLFC or demanding for agreed capacity)? If not please provide evidence as why different approaches to banding would better facilitate the TCR principles.

No comment.



Utility Customer Service Management Ltd.

9. Do you agree that LLFCs are a sensible way to segment residual charges? If not, are there other existing classifications that should be considered in more detail?

No comment.

10. Do you agree with the conclusions we have drawn from our assessment of the following? a) distributional modelling b) the distributional impacts of the options c) our wider system modelling d) how we have interpreted the wider system modelling? Please be specific which assessment you agree/disagree with.

No comment.

11. Do you agree with our proposed approach to the reform of the remaining non-locational Embedded Benefits?

No comment.

12. Do you agree with our proposal not to address any other remaining Embedded Benefits at this stage? Which of the embedded benefits do you think should be removed as outlined in xx? Please state your reasoning and provide evidence to support your answer.

No comment.

13. Are there any reasons we have not included that mean that the remaining Embedded Benefits should be maintained?

No comment.

14. Do you agree with our proposed approach to transitional arrangements for reforms to: a) transmission and distribution residual charges b) non-locational Embedded Benefits? Please provide evidence to indicate why different arrangements would be more appropriate.

No comment.

15. Do you agree with our minded to decision set out? If not please state your reasoning and provide evidence to support your answer.

No comment.

16. For our preferred option do you think there are practical consideration or difficulties that we have not taken account of? Please provide evidence to support your answer.

No comment.