To: *TCR@Ofgem.gov.uk*

In response to: *Ofgem Consultation dated 3rd September 2019 - Future Charging and Access programme – consultation on refined residual charging banding in the Targeted Charging Review.*

I would like to highlight three significant flaws with the revised proposals, which fail to meet Ofgem's TCR principles of avoiding harmful distortions, fairness, and proportionality and practical considerations.

Firstly, the capacity banding approach gives rise to an unfair, unjustifiable and arbitrary charging. By way of an example, based on the illustrative charges (figure 3):

Two HV Connections at 2MVA would each be charged £81k, a total of £162k. The same total capacity on one 4MVA connection would be charged £201k. This represents an extra £39k or 24% greater charge for the single 4MVA supply, which would offer the same level of operational capacity and capability, and the same potential impact to the Transmission system.

Two supplies would if anything be considered preferable for resilience for the end user. The approach would also lead to new sites requesting multiple lower capacity supplies, which would incur greater ongoing operating and maintenance costs for the DNO. Overall, not a fair and not proportionate approach.

The second flaw arises from the different approaches applied to low and high voltage. The Low Voltage charges are levied on kWh banding, whereas the High and Extra High Voltage charges are levied on capacity. This means if a Low Voltage site can reduce consumption below the 280 MWh threshold, they would see a £12k per year financial benefit, this is a material benefit for a site of this size. To meet the test of fair and equitable, HV and EHV sites should have the same opportunity to reduce their connection charges through energy efficiency as LV sites.

The third flaw evident from the illustrative charges is the fact that HV sites may be charged more than LV sites, even though distribution voltage does not change the potential to impact the transmission network. A low voltage site consuming 3GWh per year would be charged £12k, but a site with similar consumption with a 500KVA HV supply would be charged £37k; three times the amount.

The only fair and equitable solution is for Low High and Extra High Voltage supplies to be charged using a consistent methodology, which means a kWh based approach such as that applied to LV. Better yet, a LV/HV/EHV banded pence-per-kWh charge would most directly represent the level of final demand, and level of reliance upon the system. An approach based on kWh (either banding, or pence-per-kWh) also solves the issues with multiple supply sites.

It is also worth noting that the limited duration and scope of detail of this follow-up consultation, and the lack of a revised impact assessment, has meant we have been unable to complete an internal impact assessment of the revised proposals on our portfolio of more than 5000 supplies.

Finally, while some of our concerns raised in our original consultation response have been acknowledged (namely sites with multiple supplies), it is disappointing that none of them appear to have been addressed, and our suggestions for alternative arrangements have not been recognised.

The latest proposals will make it more likely that larger consumers will go 'off-grid', increasing the burden on the remainder of consumers, and removing themselves from participation in grid balancing services; reducing grid resilience and inertia.

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