

Appendix 1

Use of System Charging Statements generally change with effect from 1st April each year. Whilst licence permits the statements themselves to be amended during a regulatory year to ensure that they continue to be accurate in all material respects, changes to the Use of System Charges themselves ought not to take effect on any day other than 1st April without both Authority approval and a period of Notice.

Commonly, it is our experience that Charging Statements are amended frequently without notification or prior notice, and that these changes constitute a direct change to the calculated/expected Use of System Charges. We have outlined our concerns and their impacts below, using examples from our experience of the 2021-2022 Use of System (UoS) Charging Statements.

Four Electricity Distribution networks have changed their 21-22 UoS Charging Statements since their first publication: Confidential table, see Appendix 3

The amended Charging Statements broadly change the Line Loss Factors/Line Loss Factor Classes and the Profile Classes attributable to different rates, however they are largely error prone and inaccurate:

- Some data items are missing e.g. no data for profile class 0,
- Some combinations are invalid,
- Some combinations are duplicated, resulting in different rates applicable to the same combinations and
- Some valid combinations do not have given rates.

In addition, we have seen significant variance between volumes and charges from April 2021 with regard to the D0242, which would suggest that this data flow has not been updated to accommodate all of the changes made to the charging statements.

These changes may appear minor with regard to the data fields that are being amended, but they have a significant impact upon the UoS Charges that are calculated, thus expected:

- Costs cannot be calculated at all where rates are missing,

- Costs cannot be calculated accurately where duplications exist and
- Rates cannot be applied accurately in order to calculate costs where invalid combinations have been provided

The above issues result in parties being unable to rely on cost information that they have access to, and subsequently being unable to either accurately cover their invoicing costs in a pre-emptive thus timely and recoverable way, or reconcile their invoices with the Charging Statements. Consequently Suppliers may experience issues with accurate tariffs, hedging strategies and trading costs, which are potentially unnecessary costs recovered from end consumers. We are of the view that this undermines the requirement to have Charging Statements made available 15 months ahead, and are therefore hoping to see requirements around accurate and timely provision of data that can be relied upon.

Distribution Use of System charges account for circa 15-20% of Suppliers' direct costs and for some Suppliers this can be the difference between a healthy financial position, and a potentially detrimental one that brings harm to both their consumers and end consumers across the market in the event of failure. As such we believe that it is important that these costs are made available to all relevant parties in a timely, consistent, accurate and reliable manner; we have therefore also proposed the utilisation of a central repository.

We believe that a central repository containing accurate data in a format designed for minimum interoperability, would yield the following benefits:

- all relevant parties would have timely visibility of Charging Statement changes
- data access would be quick, easy and interoperable resulting in cost-savings for Suppliers and potentially for Electricity Distribution network businesses as well
- Suppliers would be able to respond to changes quickly based on accurate accruals, update their pricing strategies where necessary, and ultimately maintain the financial security required to continue optimum operation in a market with extremely tight margins and
- the end-to-end efficiency savings made in terms of resource requirements from continual website scanning, deleting, uploading, transcribing, re-forecasting etc would be significant for some business with regard to resourcing costs

We also feel that this level of visibility would be helpful to Ofgem to ensure strong deterrence from potentially sharp behaviours.