Flexitricity Response – Targeted Charging Review consultation

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

Yes.

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.**

Yes.

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 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?**

Flexitricity agrees that the current arrangements should not be changed.

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.**

The proposals seem fair. When determining how the segments are defined, the issue identified in the consultation that if all users in the same segment pay the same charge, and there are large step changes between what each segment is charged, there could be unintended consequences.

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)?**

Yes, similar customers with and without onsite generation should pay the same residual charges as this is easier to implement and there is no significant difference between the two in terms of cost to the total system.

It is important that when the changes to residual charges and the changes to forward-looking charges are implemented at the same time.

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

The consequences of Capacity Market State Aid approval legal challenge are still unknown and depending on the ultimate outcome of the appeals there could be several different effects in different directions on the expected consumer benefits.

If the residual charges and the forward-looking charge reforms are not implemented together, there could be unintended consequences for the wholesale price which could reduce the consumer benefit.

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

Yes.

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.**

Yes.

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?**

Yes, LLFCs are a sensible way to segment residual charges, especially for the domestic/small business sector. For larger consumers, the diversity within the segments could mean that further segmentation within these groups may be beneficial.

10. **Do you agree with the conclusions we have drawn from our assessment of the following?**

Yes.

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

Yes, other than the Generation BSUoS charge for embedded generators. This was not signalled in the initial stages of the TCR, and therefore market participants have not had time to reflect these changes in their forward planning and investment decisions. The conclusions from the BSUoS taskforce should also be considered.

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?**

Yes.

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

The reasoning outlined in the document are comprehensive.

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?**

With the current uncertainty around the Capacity Market it would make sense for Ofgem to delay making a final decision until after the situation with the future of the capacity market becomes clearer because the modelling of benefits assumes of more cost reflective behaviour in Capacity Market.

As mentioned before, the implementation date should be aligned with that of the forward-looking charge review.

15. **Do you agree with our minded to decision set out?**

Yes, mostly.

For fixed charging, there should be a per site charge, rather than a per meter charge.

16. **For our preferred option do you think there are practical consideration or difficulties that we have not taken account of?**

No.