

## DOCUMENT TYPE: EXTERNAL

## RESPONSE TO OFGEM'S 2018 CONSULTATION ON TARGETED CHARGING REVIEW: MINDED TO DECISION AND DRAFT IMPACT ASSESSMENT

[https://www.ofgem.gov.uk/system/files/docs/2018/11/targeted\\_charging\\_review\\_minded\\_to\\_decision\\_and\\_draft\\_impact\\_assessment.pdf](https://www.ofgem.gov.uk/system/files/docs/2018/11/targeted_charging_review_minded_to_decision_and_draft_impact_assessment.pdf)

Author / Contact :

Fuad Al-Tawil

postie@teignenergycommunities.co.uk

01626 87 2721

It is good to see that Ofgem has undertaken such a thorough review of the electricity network residual charges and some of the embedded benefits. It is also good that a clear objective has been set and criteria defined for assessing/choosing options under the overall Targeted Charging Review (TCR).

Having read the consultation and attended the presentation/panel discussion with Ofgem on the 22nd of January, TECs shares many of the concerns raised by other Community Energy organisations and the Renewables sector in general as represented by [Regen](#).

It is quite astonishing that Ofgem's policy proposals for the TCR are based on a criterion of being 'agnostic' about Carbon reduction targets. It is even more surprising to read that the sole purpose of this proposed charging reform is to counter the financial effects of Low-Carbon Distributed Generation (LCDG)!

The argument given at the Regen event; that it is not up to Ofgem to include a primary objective for a Low Carbon Economy, specifically through electrification of transport and heat, is quite baffling. The whole tenor, message and therefore outcome of this part of the TCR is to retrospectively penalise existing LCDG and introduce disincentives to new LCDG. The evidence for this can be found throughout this consultation, but also the regular policy changes starting with an effective ban on land based wind generation and the retrospective Climate Change Levy on Renewables. Not to mention the plethora of 'reforms' and policy twists adversely impacting LCDG already announced. All these directly act against stated government objectives of decarbonising the economy.

The current TCR is a once in a generation (or longer!) opportunity to reform the charging system for Energy. Everyone agrees that this reform is long overdue and the criteria listed (efficiency, fairness, proportionality and practical considerations) cannot be argued with, they are the right ones. However, the piecemeal approach undertaken (e.g. announcing proposals to reform Use of System before Access charges, but also previous announcements on CM, Levelisation etc.) will only create a different set of anomalies/problems. Without overarching long-term objectives and a coordinated roll out of reforms, there is a real danger of nullifying several of the criteria stated, even though they may appear to make practical sense when evaluated in isolation.

At best Ofgem's current approach sends a strong message that LCDG is a risky investment, these will incur greater UoS charges as the network cannot yet accommodate them. At worst it will put paid to any hopes to decarbonise the economy. The irony is that practical solutions to both the large increased capacity required for decarbonisation and maintaining the funding for the existing electricity network are available/implementable. TECs and others have provided proposals on [Local Supply models](#) and [fairer charges](#) that reflect both impact and benefit of efficient LCDG.

Even worse, Ofgem is signalling that greater consumption will be rewarded. This is a classic case of piecemeal reforms with inappropriate objectives. It is always possible to make a headline financial case for a preferred option to 'sell' it to decision makers, especially when reforming a complex system. Most decision makers will not see the wider/longer-term impacts, unless these are explicitly pointed out. So that the promise of future adjustments to redress the negative impact on Renewables and energy saving may never materialise until the next crisis.

If it is true that Ofgem's TCR does intend to support the objective of a low carbon economy, as we were told and hinted at in the various publications/consultations, then Ofgem needs to state that up-front as an overarching objective (rather than a problem which needs to be addressed). It also needs to publish its preferred options for Access charging and the remainder of the TCR proposals so that this objective can be tested, using the criteria stated.

We would not in principle disagree with the proposed changes in this consultation, but only if all the other 'promised' reforms are also available for scrutiny.