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By email only to: TCR@ofgem.gov.uk

25 September 2019

Dear Andy

Future Charging and Access programme – consultation on refined residual charging banding in the Targeted Charging Review

Thank you for the opportunity to respond to the above consultation. This response is on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc. We are GB's largest electricity Distribution Network Operator (DNO), dedicated to delivering a safe, secure and sustainable electricity supply to 8.3 million homes and businesses.

We support the view that a fixed charge is utilised (where this is incorporated into the existing fixed charge element rather than a separate component of any charge), before a further allowance is apportioned to specific user segments. This approach allows for a variety of different 'sized' users to receive their allotted charges. The method of differentiating users will need to be based on robust available data to ensure that the residual revenue is correctly allocated, especially where no user capacity values exist. Consequently, we do not support the use of capacity charges for all users, as the majority of customers do not have a contractually agreed value.

We believe that the suggested approach to use 'deemed' capacity values for these users could create an unfairness to some customers, where users would face the same charge even though their use and their ability to react to avoid that charge would not be the same.

Furthermore, as noted in the consultation, we need to be mindful of sites which have two or more MPANs due to metering requirements, such as the E10 heating arrangements. The data to support this across industry systems is not currently robust. We have encountered situations where the correct values are not always used for the allocation of the Meter Timeswitch Classes (MTC) by the Supplier, or where the secondary MPAN should have been removed and disconnected but has not taken place.

The future arrangements need to ensure the availability of data and the ability of billing systems to enable the application of the charges. Where changes to the systems are required to facilitate the change, then the benefits need to outweigh the additional implementation costs.

Consideration needs to be given to the risks/increased complexity of having multiple alternative residual calculations within the same suite of charging models. Increased complexity of the arrangements will not only impact upon DNOs when setting the charges but also Suppliers and their customers with their understanding of the overall DUoS charge. To assist this, clear instructions will be required as part of any decision so that a change can be raised and the implementation working group can understand what solution they need to deliver. This will ensure that they can focus on how best to achieve this in the limited time available.

The use of consistently applied refined band thresholds across all DNOs will have the benefit of ensuring that a similar customer connected anywhere in the country will face the same proportion of the residual charge within a specific distribution region.

We would be happy to discuss any area of what is proposed especially around the implementation of any revised arrangements. If any part of our response requires further explanation or clarification, please do not hesitate to contact Chris Ong in the first instance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James Hope', with a stylized flourish at the end.

James Hope
Head of Regulation & Regulatory Finance
UK Power Networks

Copy: Paul Measday, Regulatory Returns & Compliance Manager, UK Power Networks
Chris Ong, Pricing Development Manager, UK Power Networks