

CORNWALL INSIGHT

CREATING CLARITY

# Network Charging Reform

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Dan Starman

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HELPING YOU MAKE SENSE OF  
THE ENERGY AND WATER  
SECTORS



# Network Charge Review

## July 2016 Open letter: Charging for embedded generation

Review to assess whether there is a level playing field between embedded and transmission connected generation

### Key issues

TNUoS residuals (demand and generation)

BSUoS benefits

GDUoS benefits



## Targeted Charging Review Significant Code Review (TCR SCR)

Reform to residual charging arrangements

Potential reform to BSUoS charging

### BSUoS Taskforce

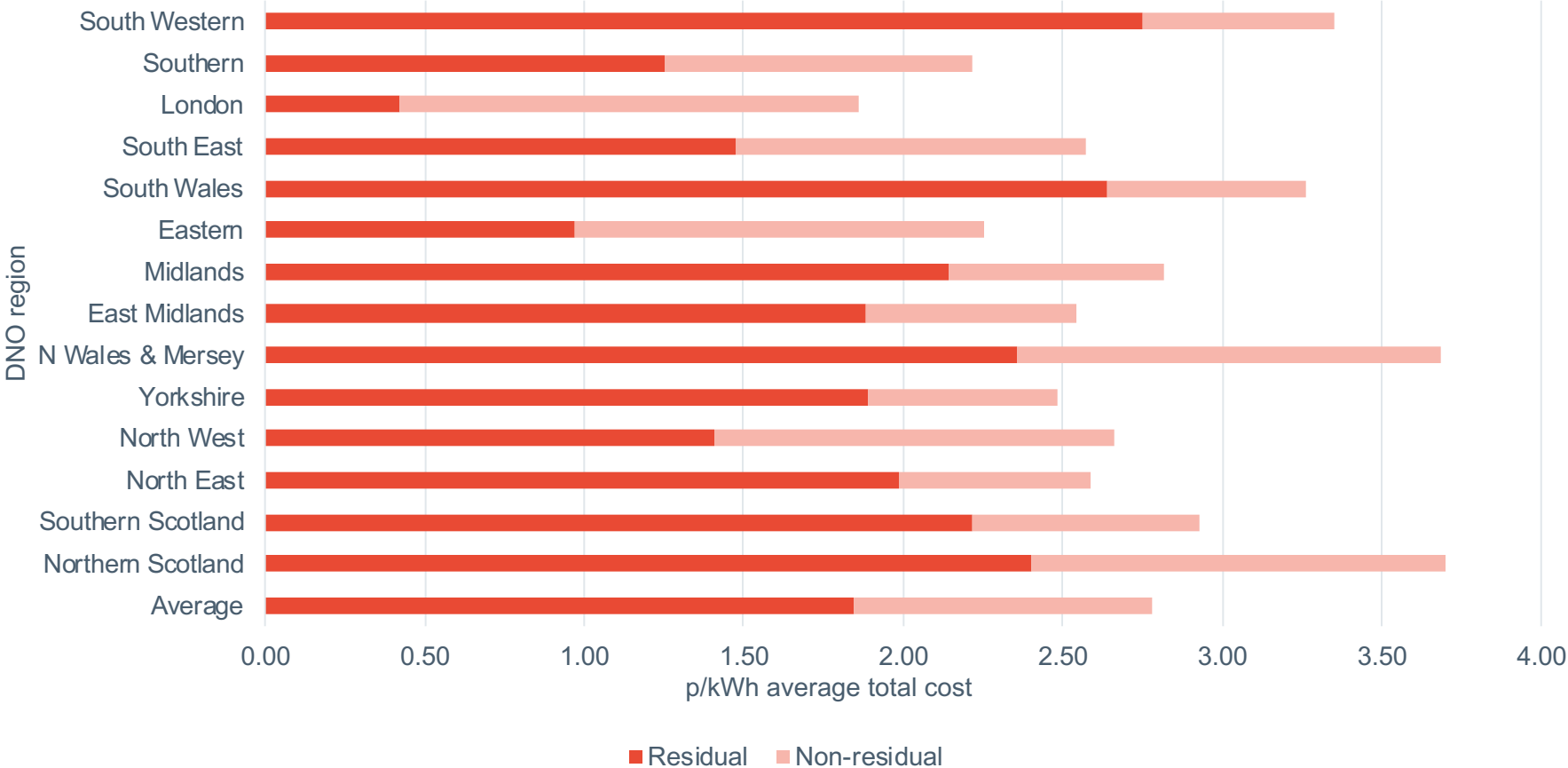
## Forward-Looking Charges and Access SCR (FLASCR)

Wide review of DUoS charges and connection charging boundary

Review access rights and allocation

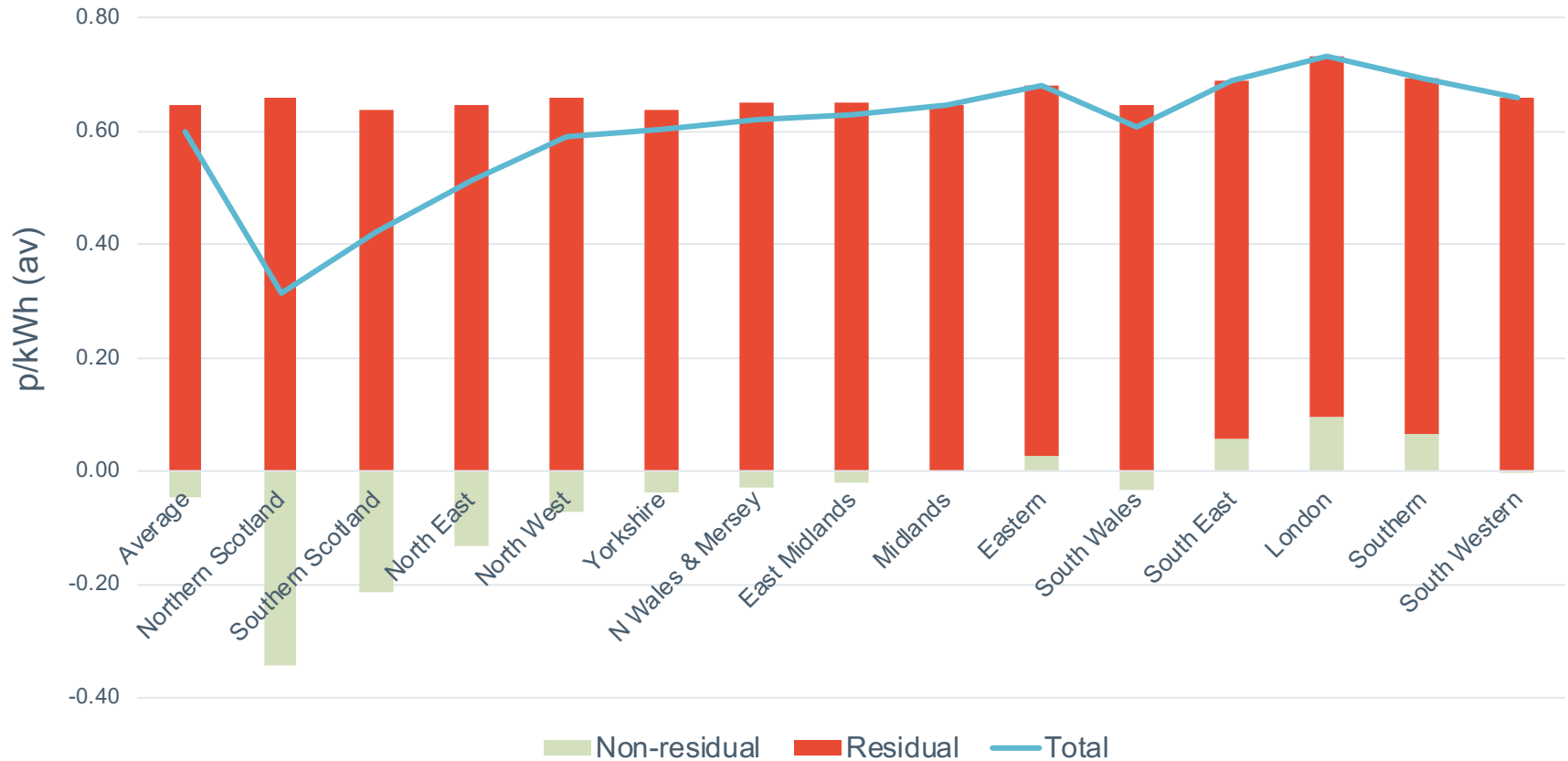
# Why Should I Care?

## Residual and Non-residual Network Charges for LVHH users



# Transmission is the Biggest Culprit

## TNUoS Charge Components (HH user)



# TCR Cost Allocation

- Ofgem will likely split the residual between ~~existing user cohorts (distribution tariff groupings)~~ users by voltage level, annual consumption and MIC
- Three things to look out for:
  - Allocation of costs to each cohort
  - Within cohort impact
    - High or low user
  - Impact of transition from p/kWh or triad charging

Illustrative refined bands and charges

| Voltage | Proposed refined bands | Illustrative charges |
|---------|------------------------|----------------------|
| LV      | 0-5MWh                 | £37.00               |
| LV      | 5MWh-20MWh             | £201.00              |
| LV      | 20MWh-100MWh           | £783.00              |
| LV      | 100MWh-280MWh          | £3,011.00            |
| LV      | >280MWh                | £12,391.00           |
| HV      | 0kVA-500kVA            | £10,830.00           |
| HV      | 500KVA-1400KVA         | £37,334.00           |
| HV      | 1400KVA-2500KVA        | £80,643.00           |
| HV      | > 2500KVA              | £200,831.00          |
| EHV     | 0kVA-500kVA            | £18,586.00           |
| EHV     | 500KVA-1400KVA         | £37,634.00           |
| EHV     | 1400KVA-2500KVA        | £59,564.00           |
| EHV     | 2500KVBA-12000KVA      | £174,092.00          |
| EHV     | >12000KVA              | £846,545.00          |

# Balancing Costs

- Ofgem is also reviewing Balancing Services Use of System BSUoS charges

**TCR  
SCR**

1. Removal of embedded benefit for embedded generation

~13% BSUoS cost reduction

2. Embedded generation charged BSUoS

~25% BSUoS cost reduction

**CMP  
308**

3. Removal of BSUoS charges from Generation

Effective doubling of BSUoS costs

# Forward-Looking and Access Reform

- Ofgem formally launched its SCR in December 2018
- It notes a number of problems with current arrangements, including a large queue of connections, no value signals for connections and inefficient network utilisation
- The regulator has established three workstreams to explore amendments in greater detail:
  - Access Reform
  - Charge Design
  - Locational Granularity

# FLASCR Impacts for DSR

Triad charging methodology is under review

In-advance dynamic charging

Agreed capacity-based approach

Range of options for small users inc. volumetric ToU or capacity

Volumetric ToU DUoS charges could be under threat

Do not drive costs *but* familiar and could add seasonality

More granular DUoS charges



# Summary

- Network charging reform looks to drive significant changes for the value of DSR

More of the charge being recovered through fixed charges

Proportion of the costs depends on the region and user type

Peak rate and dynamic charging could be reformed

Triad charging methodology is under review

As are ToU distribution charges

More of the charge being recovered through fixed charges

# Contact details

Dan Starman

Senior Consultant

d.starman@cornwall-  
insight.com

01603 542117  
/ 07741  
648118