TES

The energy supermarket

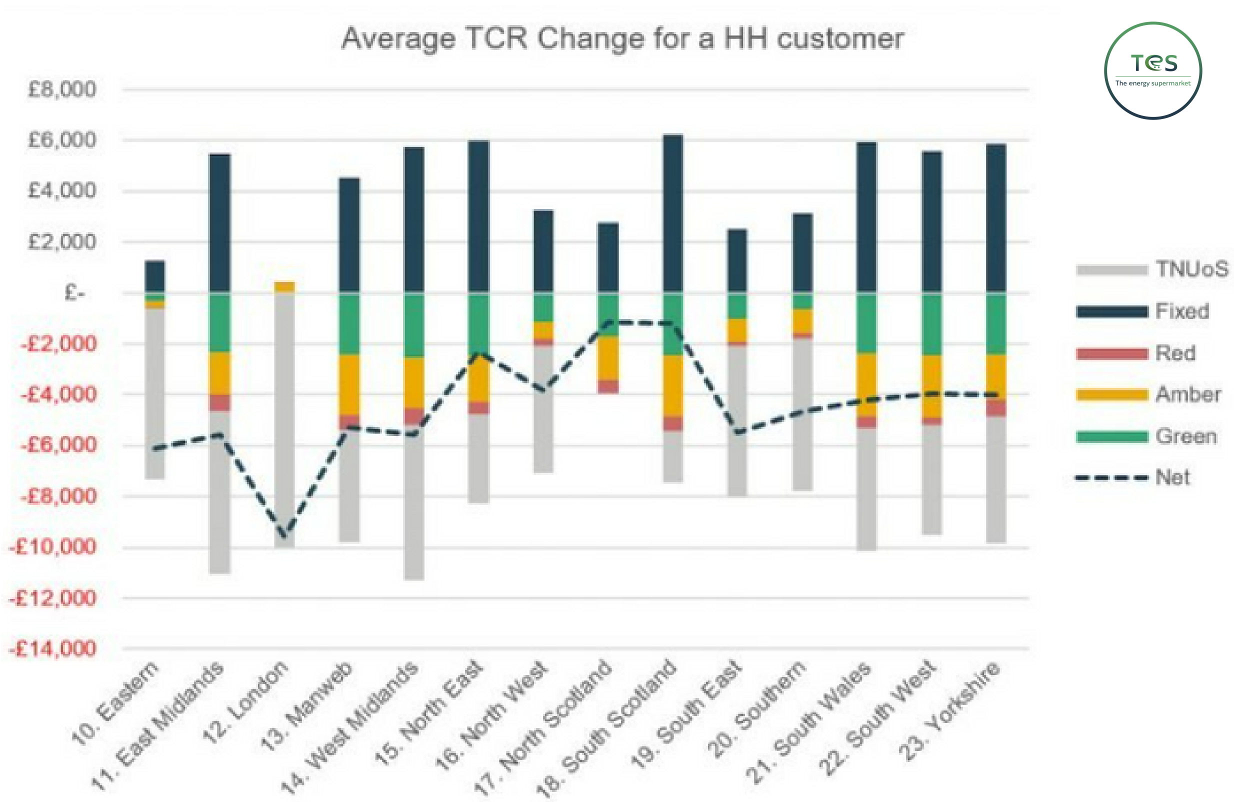
Targeted Charge Review in 2023

Your one stop shop for all your business utilities

Target Charge Review (TCR) Introduction

If you like to stay on top of any future energy cost changes that could affect your business, you will no doubt already be aware of Ofgem's Targeted Charging Review (TCR). With the new rules all ready in play from April 2022, TCR will establish a new system by which network owners charge energy customers for the use of the electricity networks in the UK.

The changes brought about by the TCR will impact every business differently, so it's vital for every business to understand how the TCR will affect their bills before they enter into their next electricity contract. in this document we aim to give you a full understanding of what changes are happening, how you will be affected as business and what The Energy Supermarket can do to help mitigate the impact.



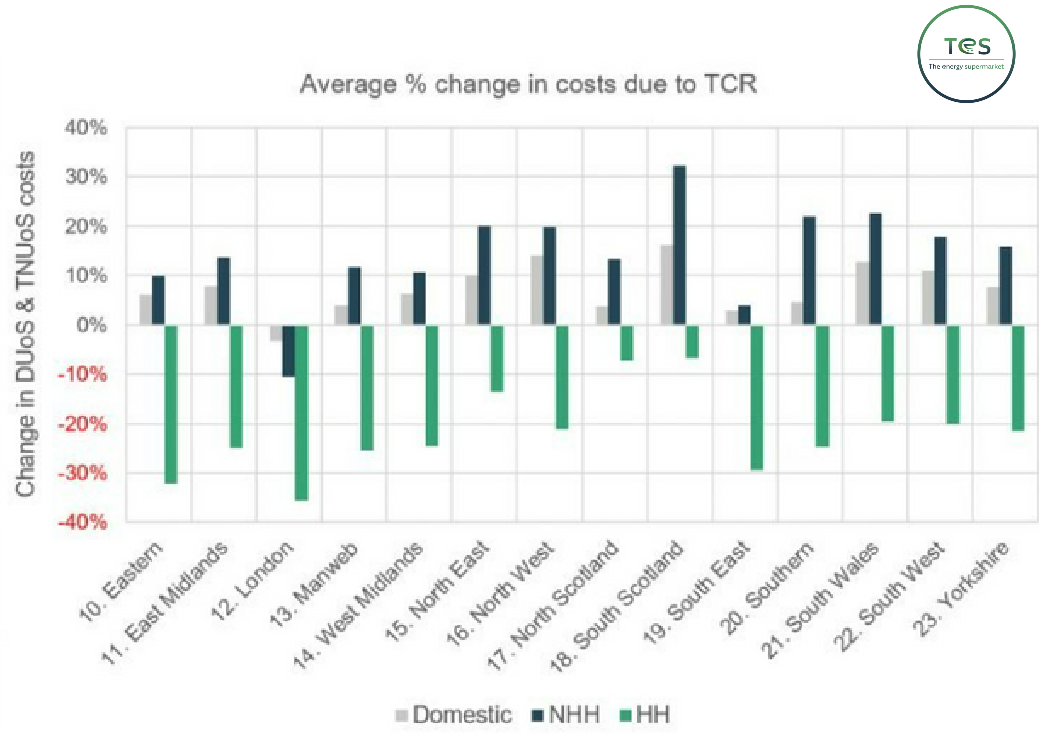
Contents

What's changing and why?

TCR is an Ofgem-led project that assesses how network charges are set and recovered. Launched in August 2017, the intention behind the TCR was to decide whether the system needed to be reformed to make it fairer. It addressed the concern that the current mechanisms used to recover Distribution Use of System (DUoS) and Transmission Network Use of System (TNUoS) charges could lead to inefficient use of the network and create an adverse effect on consumers. The current Triad system sees half hourly (HH) metered customers charged for electricity transmission costs according to their consumption during the three half-hour periods in Winter when overall demand on the grid is at its peak. Ofgem is concerned that this system distorts the market by encouraging some businesses to shift their consumption to avoid Triad periods and not pay their share towards maintaining the grid year-round.

Based on the findings of the TCR, Ofgem has decided to change the existing Triad consumption-based system for TNUoS with a banding-based daily charging system that should encourage businesses to manage their demand all year round – not just in winter. DUoS tariffs have always had a fixed daily charge component. But as part of TCR, Ofgem has directed that the way DNOs (Distribution Network Officers) set this charge should also change – moving some of the cost recovery that currently comes through the volume-based rates into the fixed daily charge.

The banding for each meter on businesses' site(s) will be based on their agreed supply capacity (if there has been one agreed) or their Estimated Annual Consumption (EAC) if an agreed supply capacity is not in place. These changes were intended to roll out this April, however Ofgem has proposed a delay in the TNUoS changes until April 2023. The changes to DUoS tariffs have already changed as of 1st April 2022.



How Will businesses be affected?

For larger businesses able to reduce or shift energy volumes, winter Triad periods have historically provided an opportunity to make savings through flexibility, by reducing consumption during peak periods. Even those who aren't able to be flexible in their usage can mitigate the impact of Triads by increasing their energy efficiency. Under the new system, Triad avoidance will no longer be possible for many and, where it remains, the benefits will be significantly reduced. This means that businesses who used this method to reduce their TNUos costs might find their annual energy bills could be significantly increased. For businesses previously able to boost generation revenue by exporting energy to the grid at peak times, the reduction of Triads could affect their bottom line and reduce the benefits of having on-site generation. While businesses who participate in grid-balancing Demand Side Response schemes will still be able to benefit from doing so, they will lose out on the additional revenue available during Triad periods.

Another consideration is that the cost of Triads is typically spread across bills over 12 months, until the next Triad period. However, for those businesses whose contracts start in the October before the TCR cost mechanism comes into effect, Triad costs will have to be recovered in half the time. Businesses should therefore work these costs into their budgets now.

For some, the TCR will mean a bigger energy bill and a need to rebalance the budget in other ways. But large energy users who have previously been unable to consume energy flexibly and have therefore been hit with excessive Triad costs could actually see a reduction in non-commodity costs – and it's these businesses that must think most carefully before they choose their next contract.

How we can help?

The Energy Supermarket is dedicated to supporting the UK's businesses through the energy crisis, as the current climate sees an increase in gas, electric and water bills, and we want you to receive the best possible quotes for utility, so you can invest in the other elements of your business, such as marketing & the user experience.

With a great understanding of the sector, we strive to help businesses understand the new legislations that have come into play over the past two years. It's important to us that you don't feel alone in this journey.

We take the time to see where savings can be made during the current crisis by looking at savings against the CCL (also known as Climate Change Levy) and we can then go back to reclaim for the past four years as not every business has to pay this. By looking at the KVA capacity, we have saved businesses thousands in overspent KVA.

Monitoring and Reduction

Alongside the review and renew process, we carry out a full KVA analysis to ensure your allowance has been set up correctly with the DNO (Distribution Network Officer). This is then followed up by a full half hourly data analysis making sure you aren't wasting energy; our findings will be presented to you in a full detailed report for transparency.

Our experts will also carry out bill audits to make sure all charges are as should be. No stone will ever be unturned by us during the monitoring and reduction process, or across the board for that matter. For free of charge, we will make sure that you have a smart metre fitted with your new/current supplier to eliminate estimated billing. By providing you with this service, you'll be able to keep a track of your utility spend, further reducing spending.

We'll also provide you with full knowledge of the market conditions to make a fully educated decision on when the right time to buy will be and for how long contracts should be procured for.

Contact Us

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