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Targeted Charging Review (TCR) – FAQ

As you may be aware, part of all energy payments go towards keeping the energy network up and running. These costs are reviewed regularly by energy regulator OFGEM to ensure customers pay the correct prices that are appropriate to their size. Following a review, OFGEM noticed some businesses had found ways to decrease the amount they had to pay. And so, they have brought in changes to how the industry will distribute these costs, known as the Targeted Charging Review (TCR). The following document will explain TCR in further detail.

Background information

Both domestic and business customers contribute to network upkeep when they pay their bills. These contributions are part of their energy rates and standing charges. The costs cover the following areas:

1. General payments towards upkeep of the energy infrastructure.
2. Transmission Charges – Cost for transporting energy from the generator to your local distributor.
3. Distribution Charges – Cost for transporting energy from your local distributor to yourproperty.
4. Balancing Services – Charges applied by National Grid to ensure the network doesn't have too little or too much energy made available at any given time to meet the national demand.

OFGEM has reviewed how businesses make contributions to these charges. With the aim to make sure that each business pays the appropriate amount, according to how much energy they need to operate. To make these changes, amendments have had to be made in the way the industry calculates a business' contribution.

Before the introduction of TCR, the calculations factored in how much energy a business would use when the national demand for energy is at its highest (usually 4-7pm on weekdays). Therefore, the less a business used in these periods, the less money they'd pay towards transmission, distribution and balancing charges.

The TCR outlined that some sites with flexible usage could monitor national usage trends and predict when these peak demands would occur. And in turn could use these predictions to lower energy consumption during these peak periods. This meant their contribution towards these costs were lower and not covering a fair representation of their share, also having a knock-on effect where other businesses had to pay more to account for this imbalance.

In response to these findings, OFGEM enforced changes to how the industry will calculate these charges, impacting three main elements of a customer's standing charge. Changes to distribution charges came into effect in April 2022, with changes to transmission and balancing charges following a year later in April 2023. The below table will help to outline these changes:

	Before TCR Changes	After TCR Changes
Transmission and Distribution Charges	All businesses paid according to how much energy they used	Some businesses pay according to their capacity for energy use, not how much energy they use
	If they used energy away from peak times, the cost was lower	Most businesses won't be able to pay less by shifting usage away from peak times
	Cost mostly reflected in unit rates	Cost mostly reflected in standing charge
Balancing Services Charges	Generators paid half; customers paid half	Customers pay the full cost
	Customers ended up paying the full amount because generators passed the cost onto them via unit rates	Customers' increased share is offset by generators no longer passing on costs

What does this mean to you as the customer?

Charges for transmission costs are changing; the new method works out a business' contribution based on their meter size and meter set up. Your new charge will now be based on the following criteria:

1. General payments towards upkeep of the energy infrastructure.
2. Whether you have a metered electricity supply or not.
3. Whether you have a Half-Hourly Electricity Meter or not.
4. Whether you have an Available Supply Capacity (ASC) or not.

The below table outlines how the new costs will be calculated:

	Half-Hourly meter	Non Half-Hourly meter
Metered supply	You pay a fixed daily amount. The higher your ASC, the higher this fixed amount is.	You pay a fixed daily amount. The more energy you use at peak times, the higher the amount is.
Un-metered supply	The amount you pay depends on how much energy you use each day	

The changes will affect different customers in different ways. Overall, there will be increases in standing charges. This being especially visible for businesses that previously monitored trends and changed their usage habits.

How will these new charges be calculated?

To implement these new costs, OFGEM has created new 'charging' bands. Each business will fall into one of these bands, according to their meter set up and usage needs. These bandings will then have specific prices associated against them. The bands can be seen in the below tables:

For businesses without an ASC

Band	Annual Usage (kWh)
1	0 - 3571
2	3572 - 12553
3	12554 - 25279
4	25280+

For businesses with an ASC

Band	Low Voltage Capacity (kVA)	High Voltage Capacity (kVA)	Extra High Voltage Capacity (kVA)
1	0 - 80	0 - 422	0 - 5000
2	81 - 150	423 - 1000	5001 - 12000
3	151 - 231	1001 - 1800	12001 - 21500
4	232+	1801+	21501+

How will these changes affect my charges?

If you're currently on a fixed contract, your charges will stay the same.

If you're on a variable contract, the changes will be implemented in your price change on 01 November 2024. Confirmation of these changes will have been sent you by the end of September 2024.

If you're signing up to a new contract or renewing an existing fixed contract, your new rates will now incorporate these changes.

If you think you are in the wrong band, what should I do?

You will need to contact your Distribution Network Operator (DNO), who may be able to make changes. If you are unsure who this is, please use the following link to determine your DNO.

Are other suppliers making these changes?

Yes, TCR is affecting the whole of the UK energy network. So, all suppliers will be required to make the changes.