

Third party charges guide



Third party costs cover the cost of transporting your energy and of various Government obligations. They can account for 40% - 70% (for electricity) or 20-50% (for gas) of your bill, depending on your meter type and the location of your business.

If your contract was agreed before 16th November 2020, these third party costs are passed through to you – and are likely to vary. To keep things simple, if anything changes we'll usually only alter your rates once a year. Here's a [link to our website](#) where you can see the relevant part of your T&Cs.

If your contract was agreed on or after 16th November 2020, your third party costs are fixed. This remains true unless a new charge is introduced, or there's a change to how third party costs are calculated. These sorts of changes rarely happen and we'll always let you know if anything changes.

Here's a [link to our website](#) where you can see the relevant part of your T&Cs.

The four types of third party charges

01. Energy infrastructure costs

The cost to transport energy from where it's generated to your site (TNUoS and DUoS for electricity, NTS and LDZ for gas – see glossary)

02. Energy related costs

The costs for National Grid to balance energy supply and demand in real time (BSUoS)

03. Low carbon generation costs

The costs from Government schemes, which all suppliers must pay, that help to fund low carbon and renewable generation (RO, FiT, CFD FiT)

04. Security of supply costs

The costs paid to the Government to maintain supply security as the UK builds more intermittent renewable generation (CM)



Glossary

BSUoS

Balancing Services Use of System

Paid by generators and suppliers, these charges help keep the Electricity Transmission System balanced each day. National Grid calculates the cost every half-hour, based on the system's needs at that point – and makes sure it can transmit the power to where it's required.

CFD FiT

Contracts for Difference – Feed-in Tariff

The Government sets a fixed price for payments to large renewable energy generators for every MWh generated. To support them, suppliers need to contribute the difference between the fixed price and the market value of that energy.



CM Capacity Market

Capacity Market charges make sure there's always a supply of energy. The charge also enables non-renewable generators to schedule their generation at times when it's required, such as when renewable generation is intermittent. An auction, run by National Grid on behalf of the Government, determines the cost.

DUoS Distribution Use of System

DUoS helps maintain and operate the Distribution Network, which transports electricity from the Transmission Network to meters within premises.

Network operators drive the prices, which vary by area and customer, and the Office of Gas and Electricity Markets (Ofgem) regulates and caps them.

FiT Feed-in Tariff

This cost supports small-scale renewable generators, such as those with solar roof installations, by guaranteeing a fixed tariff based on how much energy is generated. Suppliers make payments to Ofgem to help fund this and, because of increasing adoption, the costs for suppliers are increasing year on year.

LDZ Local Distribution Zone

The LDZ is the local network of pipelines that transports gas from the NTS directly to meters. The LDZ covers the cost of this network, plus the cost of energy lost in the transportation process (e.g. through leakage). We describe gas that's unaccounted for as 'unidentified gas'.

Distribution Network Operators set the LDZ charges, under the review and price regulation of Ofgem.

NTS National Transmission System

The National Transmission System (NTS) is the national network of pipelines that transports gas from terminal and storage facilities to Distribution Networks and large consumers. It also links to connections overseas.

National Grid acts as the Transmission Network Owner and System Operator. It controls NTS charges, although they're under the review and price regulation of Ofgem.



RO Renewables Obligation

A Government scheme to support large-scale renewable generators by providing them with extra income above the value of the energy they produce. Although this scheme closed to new applicants in March 2017, the Government still pays out to those registered onto the scheme before that date.

The Government increased the required proportion of total energy consumption that eligible renewable generators get paid for under the RO scheme.

TNUoS Transmission Network Use of System

The costs to operate and maintain the Transmission Network (the high voltage pylon system) that transports electricity from generators to local Distribution Networks.

Prices vary by area and customer, meaning some may see an increase and others a decrease. The transmission owners set the prices, and Ofgem regulates and caps them.

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