

TCR implementation issue – Backup capacity

Following the DCMDG meeting on 18th November, we took an action to provide a real life example where customers may be getting charged the residual charge twice.

Network set up

- A private network connected to a DNO's network
- The private network consists of a power station and several large demand customers
- When the power station is generating, it provides power direct to the demand customers with any excess spilled via the connection to the DNO's network
- When the power station is not generating, the demand customers import directly from the private network (via the DNO connection)
- Each demand customer also has a backup connection to the DNO network which is used if the private network is unable to provide power (e.g. in a fault situation)
- Where the private network fails, there is a physical interlink which needs to be switched manually to allow the demand customers to receive the power via the backup connection to the DNO network.
- The private network connection agreement and the backup supply connection agreements are separate entities

After discussing the situation with the DNO, the DNO intends to charge the residual fixed charge on the private network and the backup connections for each demand customer. This is based on their interpretation of the legal text in DCUSA. We do not believe this was the intent of the TCR Ofgem decision¹ which stated the following:

9) **Redundant connection capacity:** The process for setting and allocating users to charging bands, for the purposes of calculating the level of fixed charge to apply to a site, should recognise circumstances where a customer retains connection capacity to a site for redundancy purposes only. Redundancy here refers to circumstances where a connection is unused other than when an alternative connection to a customer's site is unavailable. This must be clearly demonstrated, supported by documentary evidence to show that the capacity is not used in parallel with the other connection and the capacity of the primary connection(s) is / are not exceeded. In such cases, total consumption volumes across all connections should be combined for the purposes of allocation of residual charges. A process should be devised where this can be accounted for.

In the above example, the capacity reserved by the customer from the DNO is either via the private network or the backup supply but cannot be the aggregate. The residual fixed charge should therefore not be aggregated and should be levied once only. We request Ofgem and the TCR steering group to urgently provide guidance on this issue given the TCR implementation at distribution in April 2022.

¹ <https://www.ofgem.gov.uk/publications/targeted-charging-review-decision-and-impact-assessment>