

# WHAT TCR MEANS FOR YOUR BUSINESS.



## YOUR QUESTIONS ANSWERED BY OUR EXPERTS

**Ofgem's long-awaited shake-up of non-energy costs has just been announced.**

So, what does it mean for you and your customers – and most importantly, how will it affect your future energy quotes?

At EDF we understand you need the facts, fast. So we put your questions to our team of experts.

### SO, WHAT'S TCR ALL ABOUT?

The Targeted Charging Review is being carried out by Ofgem. They've been looking at some of the non-energy costs paid by businesses to help maintain the UK's electricity network

These are:

- The transmission charge, or TNUoS – which covers the cost of getting your electricity from the power station to the distribution station in your local area.
- The distribution charge, or DUoS – which covers the cost of getting your electricity through your local distribution network to your business.

Ofgem wants to make these charges fairer, so that similar-sized energy users pay similar amounts. So from April 2022, it's changing the way network operators charge suppliers like EDF for these non-energy costs. In turn, that'll affect how these charges are passed on to businesses.

### WHAT'S CHANGING AS A RESULT OF TCR?

The big change is the way suppliers are charged for TNUoS and DUoS costs, also known as the transmission and distribution charges.

These costs are split into two parts.

**One**, residual, which is the cost of maintaining the current electricity network.

And **two**, forward looking, which covers the cost of expanding the network.

This change only affects the residual charge, which is **90%** of the cost of TNUoS and **50%** of DUoS.

At the moment, the residual charge is built into your unit rate. But from April 2022, network operators will be charging suppliers like EDF a fixed amount for every business customer's site. Essentially, it means similar sites will pay the same towards maintaining the network.

### HOW WILL TCR AFFECT THE QUOTE I'M OFFERED?

At EDF, we're adding the new fixed charges to the standing charge, because we think that's the fairest way to do it. It'll be determined by one of several pricing bands. For smaller sites, this will be based on how much energy you use. For larger sites, it will depend on your agreed supply capacity.

So under the new charging system, your quote will look a bit different. The standing charge will go up, to reflect the new charge. But, the unit rates will go down.

### IS MY ENERGY BILL GOING TO GO UP?

The overall cost of the two non-energy costs, TNUoS and DUoS, will remain roughly the same. However, individual sites could see significant changes in their bill.

### WHEN WILL THE CHANGES COME IN?

The new way of charging will start in April 2022.

### WHY IS EDF'S PRICE DIFFERENT TO OTHER SUPPLIERS?

Firstly, it's important to remember the quote you get is always based on a supplier's forecast of costs. Different suppliers have different forecasting systems, so their quotes will always vary a little.

But there's another reason why they might be different right now. Because the new charging system has only just been announced, some suppliers' quoting systems haven't yet factored it in. For the suppliers that have, some may add it into the standing charge, and some may add it to the agreed supply capacity.

Some suppliers haven't yet updated their systems to reflect the change. Or they may be recovering this fixed cost through the unit rate. This would require a site to use their forecast energy within the charging year.

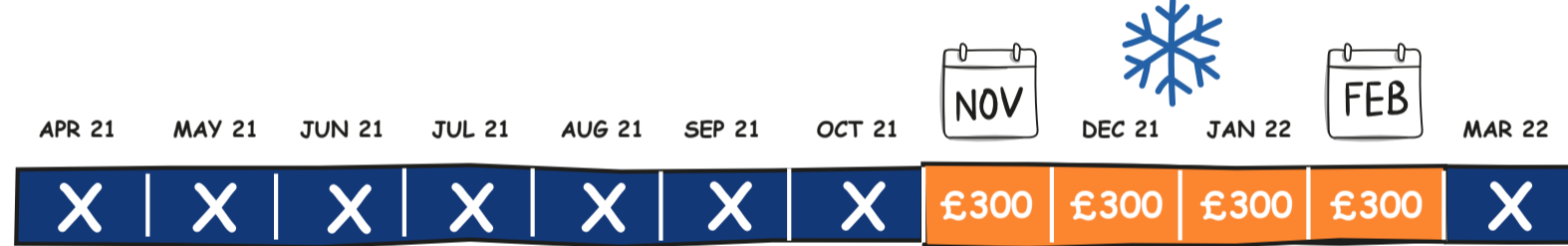
Sites using less run the risk of their supplier recovering this cost further down the line, whereas sites that use more will be overpaying for this cost.

Lastly, there's one more charge that EDF has included, but many other suppliers haven't yet. To allow for the switchover, when charges are split into the residual and forwarding looking parts, and make sure everyone's paying the right amount, there'll be a transition charge between April 2022 and April 2023 for TNUoS for half-hourly sites.

### MY CONTRACT STARTS BEFORE THE NEW WAY OF CHARGING COMES IN, BUT ENDS AFTER IT - HOW WILL I BE AFFECTED?

If your contract starts before April 2022 but ends after, it'll include some charges under the old system and some under the new.

Currently, the network companies calculate both the residual and forward-looking charges to suppliers only in the winter months. From March to October, suppliers aren't charged these costs, as they're deferred to the winter months.



TOTAL  
**£1200**

But from April 2022, 90% of these costs - the residual part - will be charged monthly, across the entire year.

If your contract start date is April 2022, which coincides with the start of the scheme, then you'll see no changes.



90% = £1080

10% = £120

TOTAL  
**£1200**

However, if your contract starts between May 2021 and March 2022 - for example, in October 2021 - your quote should include some of the old winter charges, and some of the new monthly charges.

So, some customers may see a higher quote than normal.

If your contract start date is April 2022 (for a 12-month term) then you will not be affected. However, the closer the start date of your contract is to October, the more your quote will be impacted by this cost.

In this example of an October start date for 12 months, the transition cost will add a further **£540** - that's **45%** - of TNUoS costs to your quote.



TOTAL  
**£1200 + £540 = £1740**



At EDF, we've built this in to your quote because it's the right thing to do, and we wouldn't want to hit you with this extra charge in the future, like some other suppliers might do.

But it IS a one-off adjustment, and once your contract moves beyond April 2023, you'll no longer need to pay this transition charge.



### IF OTHER SUPPLIERS ARE QUOTING A LOWER PRICE, WHY SHOULDN'T I JUST GO WITH THEM?

Some suppliers may seem to be charging less. But there's always a risk they could open up your contract and ask you to pay back more later, if their forecasts aren't accurate and they haven't charged you enough. So, you should always check the T&Cs - and ask the supplier if they've included the TCR changes and transition cost in your quote.

### WHY SHOULD I SIGN WITH EDF IF THEY APPEAR TO BE MORE EXPENSIVE?

While your fixed Peace of Mind quote from EDF might appear to be more expensive, you benefit from a fully fixed, fully inclusive product that takes into account future regulatory and non-energy cost changes. So you can be confident it will remain fully fixed for the entire length of your contract.



### SO, REMIND ME - HOW DO I COMPARE DIFFERENT QUOTES FROM DIFFERENT SUPPLIERS?

Just remember, you're not comparing costs at all. You're comparing forecasts - for parts of the new fixed non-energy costs, TNUoS and DUoS, and for the transition charge to facilitate the changes.

Not all suppliers have factored in these changes yet. And some will be more accurate than others. To compare different quotes with confidence, ask your supplier if they've included TCR in your quote and check their T&Cs. If they get their forecasts wrong, there's a chance they could pass the extra cost on to you or your customers.

## ANY MORE QUESTIONS?

You now know what TCR is all about, what it will mean for your business or your customers, and how you can compare quotes with confidence.

But, of course, if you have any other questions, please feel free to ask.

**We're here to help!**

