

ESP Electricity Ltd  
Statement of Charging  
Methodology for Use of ESP  
Electricity's Distribution System



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Effective from June 1<sup>st</sup>, 2020

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# 1. INTRODUCTION



## **The ESP Electricity Distribution Business**

- 1.1 ESP Electricity Ltd (“ESPE”) is an independent electricity distribution business, licensed to design, build, adopt, operate and maintain electricity distribution networks in Great Britain (GB).
- 1.2 This statement has been approved by the Office of Gas and Electricity Markets (Ofgem). Any future modifications to this statement will require approval from Ofgem (‘the Authority’).

## **Licence Obligations**

- 1.3 This statement sets out ESPE’s Distribution Use of System (DUoS) Charging methodology. It is prepared in accordance with the requirements of ESPE’s distribution licence issued under the Electricity Act 1989 (‘the Act’), as amended by the Utilities Act 2000.
- 1.4 As an Independent Distribution Network Operator (IDNO), ESPE is required by its Licence to set its Distribution Use of System (DUoS) charges in relation to domestic customers so that, except without prior written consent of the Authority, the standing charge, unit rate and any other component of charges should be capped for all customers at a level broadly consistent with the DNO equivalent charge.

- 1.5 ESPE is required by Licence Condition 13 to prepare a statement approved by the Authority setting out the methodology upon which charges will be made for the use of its distribution system. ESPE is also required to review this statement annually to ensure that the objectives of the licence condition continue to be achieved. The applicable charging methodology objectives are listed in standard condition 22A: Governance and change control arrangements for Relevant Charging Methodologies and are as follows:
- 1.5.1 that compliance with the use of system charging methodology facilitates the discharge by ESPE of the obligations imposed on it under the Act and by the Distribution Licence [22A.6];
  - 1.5.2 that compliance with the use of system charging methodology facilitates competition in the generation and supply of electricity, and does not restrict, distort, or prevent competition in the transmission or distribution of electricity [22A.7];
  - 1.5.3 that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by ESPE in its distribution business [22A.8]; and
  - 1.5.4 that, so far as is consistent with the first three applicable charging methodology objectives, the use of system charging methodology, as far as is reasonably practicable, properly takes account of developments in the ESPE's distribution business [22A.9]; and
  - 1.5.5 compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators [22A.10].
- 1.6 For further information about this document, please contact ESPE's Electricity Operations Department using the contact details below.

**Regulations  
ESP Utilities Group  
1st Floor, Bluebird House  
Mole Business Park  
Leatherhead  
Surrey  
KT22 7BA**

**Tel: 01372 587 500**

**[Regulation@espug.com](mailto:Regulation@espug.com)**

## 2. Definitions

All-the-way (ATW) Charge	A charge that is applicable to an end user rather than an LDNO. An end user in this context is a Supplier/User who has a registered MPAN or MSID and is using ESPE's Distribution System to transport energy on behalf of a Customer.
Authority	Means the Gas and Electricity Markets Authority as established under Section 1 of the Utilities Act 2000 that supervises Ofgem.
Boundary Tariff	The tariff levied by the Host DNO in respect of an individual EHV property that is connected to an LDNO network. The Boundary Tariff only recovers the portion of the network recovered by the host DNO.
Common Distribution Charging Methodology (CDCM)	The methodology for determining the Use of System Charges DNO Parties recover pursuant to Section 2A, Section 2B, and the Relevant Charging Statements, as set out in Schedule 16 of DCUSA (Common Distribution Charging Methodology).
Customer	A person to whom a user proposes to supply, or for the time being supplies, electricity through an exit point, or from whom, a User or any relevant exempt supplier, is entitled to recover charges, compensation or an account of profits in respect of electricity supplied through an exit point; or A person from whom a User purchases, or proposes to purchase, electricity, at an entry point (who may from time to time be supplied with electricity as a Customer of that User (or another electricity supplier) through an exit point).
Distribution Licence	This allows the licensee to distribute electricity for the purpose of enabling a supply to be given.
Distribution Connection and Use of System Agreement (DCUSA)	The DCUSA is a multi-party contract between the licensed electricity distributors, suppliers, generators and offshore transmission owners of Great Britain. It is a requirement that all licensed electricity distributors and suppliers become parties to the DCUSA.
Distribution Network Operator (DNO)	An electricity distributor that operates one of the 14 distribution services areas and in whose electricity distribution licence the requirements of Section B of the standard conditions of that licence have effect.
Distribution Use of System (DUoS)	The charges levied by a distributor for use of the distribution network.
Distribution System	The system consisting (wholly or mainly) of electric lines owned or operated by an authorised distributor that is used for the distribution of electricity from: <ul style="list-style-type: none"> <li>• Grid Supply Points or generation sets or other entry points to the points of delivery to:</li> <li>• Customers or Users or any transmission licensee in its capacity as operator of that licensee's transmission system or the GB transmission system and includes any remote transmission assets (owned by a transmission licensee within England and Wales) that are operated by that authorised distributor and any electrical plant, electricity meters, and metering equipment owned or operated by it in connection with the distribution of electricity, but does not include any part of the GB transmission system.</li> </ul>
EHV Distribution Charging Methodology (EDCM)	The methodology used for calculating charges to Designated EHV Properties as required by standard licence condition 13B of the Electricity Distribution Licence.
EHV Properties	As defined in Standard Licence Condition 13B of the Electricity Distribution Licence.

Electricity Distribution Licence	The Electricity Distribution Licence granted or treated as granted pursuant to section 6(1) of the Electricity Act 1989.
Electricity Distributor	Any person who is authorised by an Electricity Distribution Licence to distribute electricity.
Entry Point	A boundary point at which electricity is exported onto a Distribution System from a connected installation or from another Distribution System, not forming part of the total system (boundary point and total system having the meaning given to those terms in the BSC).  A point on the licensee's Distribution System at which units of electricity, whether metered or unmetered, enter that system.
Exit Point	A point of connection at which a supply of electricity may flow from the Distribution System to the Customer's installation or User's installation or the Distribution System of another person.
Extra-High Voltage (EHV)	Nominal voltages of 22kV and above.
EHV Property	As defined in Standard Licence Condition 13B of the Electricity Distribution Licence.
Grid Supply Point (GSP)	A metered connection between the National Grid Electricity Transmission system and the licensee's distribution system at which electricity flows to or from the Distribution System.
High Voltage (HV)	Nominal voltages of at least 1kV and less than 22kV.
Host DNO	The electricity distributor that operates one of the 14 distribution services areas the network that the EHV connection is to take place.
Independent Distribution Network Operator (IDNO)	A licensed distribution network operator, meaning an Independent DNO Party or DNO Party operating an electricity distribution system outside of its Distribution Services Area.
Interim Tariff	The tariff levied by ESPE in respect of an individual EHV customer for the network owned by ESPE.
kVA	Kilovolt amperes.
kW	Kilowatt.
kWh	Kilowatt hour (equivalent to one "unit" of electricity).
Licensed Distribution Network Operator LDNO	Company that distributes electricity through wires outside the distribution services area of a DNO.
Line Loss Factors (LLF)	Line Loss Factors are multipliers which are used to scale energy consumed or generated to account for losses on the UK's Distribution Networks.
Low Voltage (LV)	Nominal voltages below 1kV.
Master Registration Agreement (MRA)	The MRA is an Agreement that sets out terms for the provision of Metering Point Administration Services (MPAS) Registrations, and procedures in relation to the Change of Supplier to any premise/metering point.
Maximum Export Capacity (MEC)	The MEC of apparent power expressed in kVA that has been agreed can flow through the entry point to the Distribution System from the Customer's installation as specified in the connection agreement.
Maximum Import Capacity (MIC)	The MIC of apparent power expressed in kVA that has been agreed can flow through the exit point from the Distribution System to the Customer's installation as specified in the connection agreement.
Metering Point	The point at which electricity that is exported to or imported from the licensee's Distribution System is measured, is deemed to be measured, or

	is intended to be measured and which is registered pursuant to the provisions of the MRA. For the purposes of this statement, GSPs are not 'metering points'.
Metering Point Administration Number (MPAN)	An identifying number relating to a Metering Point under the MRA.
Metering System	Particular commissioned metering equipment installed for the purposes of measuring the quantities of exports and/or imports at the exit point or entry point.
Office of Gas and Electricity Markets (Ofgem)	The government regulator for the electricity and downstream natural gas markets in Great Britain including distribution companies.
Predominant capacity	Where a site can both import and export energy, the tariff will be set at the higher of the MIC or MEC, the predominant capacity.
User	Someone that has a use of system agreement with the L/DNO e.g. a supplier, generator or other DNO/ Independent network.

## 3. Methodology to determine Distribution Use of System tariffs

### Introduction

- 3.1. This section contains the methodology used by ESPE to determine the DUoS tariffs for properties connected to ESPE's network.
- 3.2. The methodology differentiates between those properties connected at Low Voltage (LV) or High Voltage (HV), and those connected at Extra High Voltage (EHV).

### Definition of LV, HV and EHV Properties

- 3.3. LV and HV Properties are defined as follows:
  - 3.3.1. Premises connected to the licensee's Distribution System at less than 22 kilovolts, excluding those premises connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and less than 22 kilovolts where the primary voltage of the substation is 22 kilovolts or more and where the Metering Point is located at the same substation.
- 3.4. EHV customers have properties or systems that are:
  - 3.4.1. Distribution Systems connected to the licensee's Distribution System at 22 kilovolts or more;
  - 3.4.2. premises connected to the licensee's Distribution System at 22 kilovolts or more;
  - 3.4.3. Distribution Systems connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and less than 22 kilovolts where the primary voltage of the substation is 22 kilovolts or more and where the Metering Point is located at the same substation; and
  - 3.4.4. premises connected directly to substation assets that form part of the licensee's Distribution System at 1 kilovolt or more and less than 22 kilovolts where the primary voltage of the substation is 22 kilovolts or more and where the Metering Point is located at the same substation.

### Methodology to determine DUoS tariffs for Import from LV and HV Properties

- 3.5. ESPE will replicate the DUoS charges and associated Line Loss Factors (LLFs) in each host Distribution Network Operator's (DNO) service area to ensure that LV and HV properties connected to ESPE's network pay no more for their import DUoS charges than if they were connected directly to the host DNO's distribution system for that distribution services area.
- 3.6. Currently, DNOs use the Common Distribution Charging Methodology (CDCM) as described in the Distribution, Connection and Use of System Agreement (DCUSA) to determine the tariffs for LV and HV properties.

### Methodology to determine DUoS tariffs for Export from LV and HV Properties

- 3.7. ESPE will replicate the DUoS charges and associated LLFs in each host DNO's service area to ensure that LV and HV properties connected to ESPE's network do not receive a lower export credit for their export DUoS charges than if they were connected directly to the host DNO's distribution system for that distribution services area.
- 3.8. Currently, the host DNOs are using the Common Distribution Charging Methodology (CDCM) as described in the Distribution and Use of System Agreement (DCUSA) to determine the tariffs for LV and HV properties.

### **Methodology to determine DUoS tariffs for Import and Export from EHV Properties**

- 3.9. Where an EHV property is connected to ESPE's network and the host DNO publishes an equivalent All The Way (ATW) import or export DUoS tariff, then ESPE will replicate this tariff. An ATW tariff is defined as the tariff that would apply if the EHV property was connected directly to the host DNOs network.
- 3.10. Where ESPE is not able to set an import or export tariff for an EHV property in accordance with paragraph 3.9, or where the ATW tariff would not allow ESPE to recover all reasonable costs associated with providing the network to the EHV property, ESPE will calculate the DUoS tariff that applies as the sum of:
  - 3.10.1. The boundary tariff levied by the host DNO at the boundary with the ESPE network in respect of the EHV property; and
  - 3.10.2. All reasonable costs associated with the fulfilment of ESPE's obligation to provide a safe and secure network between the host DNO and the EHV property, and a reasonable rate of return on the assets deemed to be used by the customer. This will include an allocation of direct and indirect costs, network rates, transmission exit charges, and depreciation.
- 3.11. Where an EHV property is connected to a distribution system that is connected to an ESPE network, ESPE will determine a boundary equivalent price that applies at the boundary between the ESPE network and the distribution system to which the property is connected. The boundary equivalent price will be calculated based on the principles set out in paragraph 3.10.
- 3.12. For EHV properties, ESPE will apply the host DNO generic line loss factors where these are published. Where these are not published, or ESPE does not believe that the generic losses are a good approximation for the actual losses appropriate for an EHV property, ESPE will develop a methodology to calculate site specific losses for the site.

### **Where to find our Distribution Use of System Charges**

- 3.13. ESPE's DUoS charges are published in our 'Licence Condition 14 Statement', which can be found at [www.espug.com](http://www.espug.com).

## 4. Appendix A: Useful Contacts and Addresses

**Ofgem**  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

Tel: (0207) 901 7000  
Fax: (0207) 901 7066

Website: <https://www.ofgem.gov.uk/>

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**Health and Safety Executive**  
Rose Court  
2 Southwark Bridge  
London  
SE1 9HS

Tel: (0845) 345 0055

Website: <http://www.hse.gov.uk/>

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**Ombudsman Services**  
PO Box 966  
Warrington  
WA4 9DF

Telephone: 0330 440 1624  
Textphone: 0330 440 1600  
Fax: 0330 440 1625

E-mail: [osenquiries@os-energy.org](mailto:osenquiries@os-energy.org)

Website: [www.ombudsman-services.org/sectors/energy](http://www.ombudsman-services.org/sectors/energy)

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**Citizens Advice**  
3rd Floor North  
200 Aldersgate Street  
London  
EC1A 4HD

Telephone (England): 03444 111 444  
Telephone (Wales): 03444 77 20 20

Website: [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)



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