

Leep Electricity Networks Limited

Charging Methodology for use of
Electricity Distribution System Statement

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(updated branding)



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1. Introduction

1.1 Leep Electricity Networks Limited (LENL) is an independent electricity distribution business, licensed to design, build, adopt, operate and maintain electricity distribution networks in the United Kingdom (UK).

1.2 This statement is prepared in accordance with the requirements of LENL's distribution licence issued under the Electricity Act 1989 ('the Act') as amended by the Utilities Act 2000 and contains the basis of our charging methodology for our use of system charges. The statement outlines our charging methodology for our use of system charges and has been prepared consistent with Standard Licence Condition 13 of our Electricity Distribution Licence.

1.3 As an Independent Distribution Network Operator (IDNO), LENL are required by our Licence to set the Distribution Use of System (DUoS) charges in relation to domestic customers so that, except without prior written consent of the Office for Gas and Electricity Markets (Ofgem), the standing charge, unit rate and any other component of charges should be capped for all customers at a level broadly consistent with the relevant and equivalent DNO charge.

1.4 LENL is required by Licence Condition 13 to prepare a statement, approved by Ofgem, setting out the methodology upon which charges will be made for the use of its distribution system. LENL are 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:

1.4.1 that compliance with the use of system charging methodology facilitates the discharge by LENL of the obligations imposed on it under the Act and by the Distribution Licence [22A.6];

1.4.2 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];

1.4.3 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 LENL in its distribution business [22A.8]; and that, so far as is consistent with the prior applicable charging methodology objectives, the use of system charging methodology, as far as is reasonably practicable, properly takes account of developments in LENL's distribution business [22A.9]; and 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].

1.5 For any questions or additional information about this statement, please contact:

Regulations, Leep Utilities, Metro Building, 33 Trafford Road, M5 3NN
Or via email to regulation@leeputilities.co.uk

2. Methodology to determine Distribution Use of System tariffs

2.1 This section contains the methodology used by Leep Electricity Networks Limited (LENL) to determine the Distribution Use of System (DUoS) tariffs for sites and distributions systems connected to LENL's network.

2.2 The methodology differentiates between those properties connected at Low Voltage (LV) or High Voltage and those connected at Extra High Voltage (EHV).

Definition of LV, HV and EHV Properties

2.3 LV and HV Properties are defined as follows: 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.

2.3 EHV properties are defined as any premises that do not meet the criteria set out above for LV and HV properties.

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

2.5 For import Customers supplied through our network at LV or HV, then our applicable use of system tariff is identical to the published use of system tariff that would apply to an equivalent Customer supplied by the Electricity Distributor in the host DNO area.

2.6 At the time of preparing this statement, the method used by Distribution Services Providers to determine the relevant use of system tariffs is called the Common Distribution Charging Methodology (CDCM).

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

2.7 For export customers connected to our network at LV or HV and which fall within the scope of a generic tariff published by the Distribution Services Provider in the Host DNO Area, our applicable use of system tariff is the same as the published tariff that would apply to an equivalent customer supplied by the Distribution Services Provider in the Host DNO Area and amended as follows:

Where the Host DNO export tariff for a LV or HV customer contains a unit based credit, LENL will only pay a unit based credit in respect of export from LV and HV properties at the same level as that paid by the Host DNO to LENL. This credit will depend on the voltage of the boundary of connection between LENL and the Host DNO.

2.8 At the time of preparing this statement, the method used by Distribution Services Providers to determine the relevant use of system tariffs is called the Common Distribution Charging Methodology (CDCM).

Methodology to determine DUoS tariffs for Import to EHV Properties

2.9 For import Customers supplied through our Distribution System at EHV then our applicable use of system tariff will be determined on a site-specific basis.

2.10 To determine this site-specific use of system tariff, we will examine practical ways of extending the methodologies and models used by the Electricity Distributor in the host DNO area to suit the particular circumstances. Wherever appropriate, we will do so by using an extension of the published CDCM model of the Electricity Distributor in the host DNO area to apply to the circumstances of our customer.

2.11 The site-specific tariff will be based on the most similar tariff that exists in the published CDCM model, which we call the base CDCM tariff. We will adjust the calculation rules and the input data so as to reflect differences in relevant costs between our Customer and the customers covered by the base CDCM tariff, so as to ensure that we follow the principle that charges should reflect costs, whilst maintaining consistency with the methods used to derive other CDCM tariffs. Our extension to the CDCM will include the following adjustments where applicable:

- we will adjust the network use factors in the tariff calculation rules to ensure that the tariff only includes costs associated with the network levels that are used (on our network or on the host DNO's network) by the supply to our customer;
- we will adjust the standing charge factors to ensure that the allocation of costs associated with each network level between unit rates and standing charges is consistent with the network level of supply for our customer;
- we will adjust the loss adjustment factors to ensure consistency with the network level of supply for our customer;
- we will review and if necessary, adjust the customer contribution factors to ensure that the discount given in use of system charges in respect of costs covered by connection charges is consistent with the level of capital contributions made by the Customer towards the Distribution System.

2.12 As part of the tariff development process, we will validate the appropriateness of the resulting tariff by reference to all applicable Relevant Objectives set out in Standard Condition 13 of the Electricity Distribution Licence. We will specifically verify:

- that the tariff is consistent with our wider licence obligations, in particular the prohibition on undue discrimination. We will do so by checking that the sitespecific tariff fits appropriately in the hierarchy of tariffs: for example, if the supply to our customer uses fewer network levels than the supply covered by an existing CDCM tariff then, absent any other significant differences, the site- specific tariff should be lower than that CDCM tariff;
- that the tariff provides an adequate gross margin over the use of system charges levied on our business by the host DNO, so as to prevent a risk of a margin squeeze that could otherwise restrict, distort, or prevent competition in the distribution of electricity.

Methodology to determine DUoS tariffs for Export from EHV Properties

2.13 For export Customers connected to our Distribution System at EHV then our applicable use of system tariff will be determined on a site-specific basis.

2.14 To determine the export tariff for Customers connected at EHV, we will pass through any charges or credits levied on LENL by the host DNO in respect of the export of the Customer.

3. Glossary

Term	Definition
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 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 System	The system consisting of (wholly or mainly) electric lines owned or operated by an authorised distributor that is used for the distribution of electricity from: Grid Supply Points or generation sets or other entry Points to the points of delivery to: Customers or Users or any transmission licensee in its capacity as operator of that licensee's transmission system or the Great Britain (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.

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.
High Voltage (HV)	Nominal voltages of at least 1kV and less than 22kV.
kV	Kilovolt.
Low Voltage (LV)	Nominal voltages below 1kV.
Use of System Charges	Charges which are applicable to those parties which use the Distribution System

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