



**Charging
Futures**

Reforming electricity charging together

**Charging
Delivery Body**

Date: 13th December 2018

Time: 1:30pm to 4:00pm

**Venue: Ofgem Office's
10 South Colonnade, Canary Wharf, London**

Teleconference details

Access Number: 020 8609 1046 or 0800 358 8636 (Toll Free Access Number)

Participant PIN Code: 213099#

| Agenda Item | Lead | Timing |
|--|-----------------------------|---------------|
| 1. Introductions & apologies | Ofgem / Chair | 13:30 – 13:35 |
| 2. Review of Action log | Ofgem / Chair | 13:35 – 13:40 |
| 3. Targeted Charging Review update a) Review of Balancing Services Charges Task Force, Terms of Reference | Ofgem / All | 13:40 – 14:25 |
| 4. Access Project update | Ofgem | 14:25 – 14:45 |
| 5. CFF Agenda | Lead Secretariat | 14.45 – 15:05 |
| Break | | |
| 6. Draft Charging Delivery Body Terms of Reference | Lead Secretariat | 15:15 – 15:25 |
| 7. Updates on new & existing Charging Modifications | Code Administrators & Ofgem | 15:25 – 15:40 |
| 8. Key messages to be shared with Code Panel meetings | All | 15:40 – 15:45 |
| 9. Timings for CDB and CFF meetings in 2019 | All | 15:45 – 15:50 |
| 10. Any other business a) Industry strategic projects | All | 15:50 – 16:00 |

2. Review of Actions Log



Charging Delivery Body Action Log – from meeting held on 27th September 2018

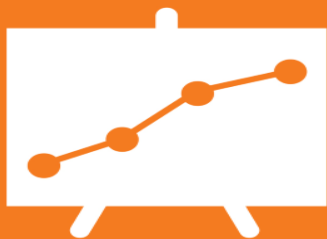
| Action number | CDB Meeting action raised | Min ref no. | Owner | Action | Status | Due by | Status |
|---------------|---------------------------|-------------|------------------|---|---|---------|--------|
| CDB67 | 8 Aug 18 | 3.4 | Ofgem | AS to consider how the CDB can coordinate system changes for TCR, Access Reform and modifications | To be discussed at December CDB meeting | Sept 18 | Open |
| CDB69 | 27 Sep 18 | 6.13 | Lead Secretariat | Discuss potential additions and changes to the existing ToR | December CDB Agenda item | Dec 18 | Open |

3. Target Charging Review

Ofgem

Targeted Charging Review, Charging Delivery Body

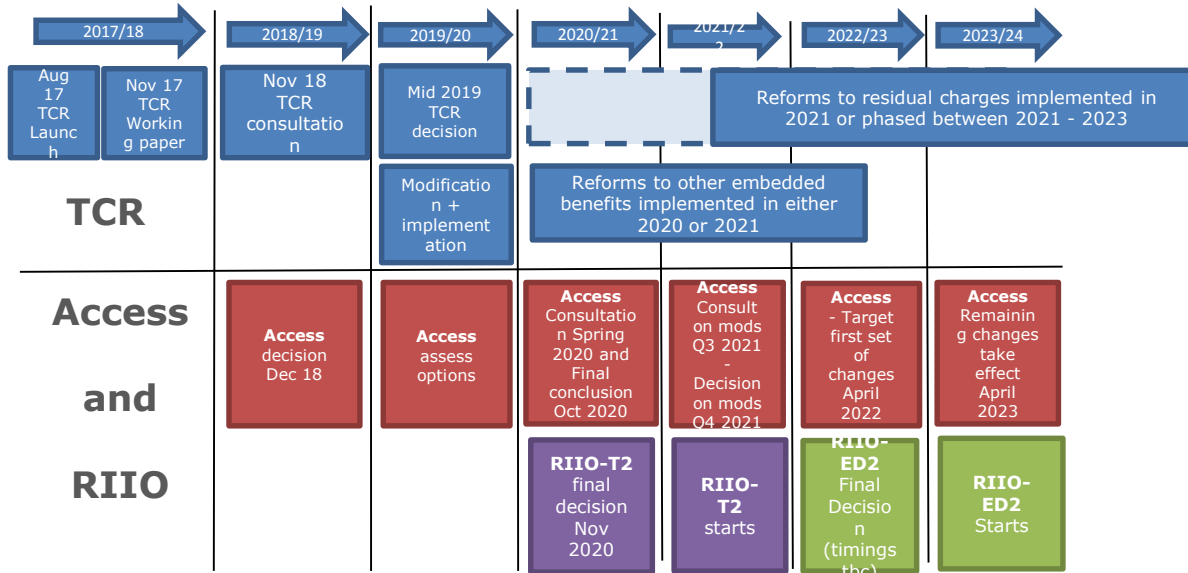
13 December 2018



- The Targeted Charging Review (TCR) is one of a number of Ofgem initiatives to ensure regulatory and commercial arrangements help deliver the benefits of the changing energy system.
- It complements access reform, RII02, and the Smart Systems and Flexibility Plan.
- It aims to reduce the harmful distortions caused by the current charging arrangements and ensure residual charges are more fairly distributed.
- Under our current arrangements, both of our leading options results in a potential net system benefits.
- We are also proposing changes to some of the other embedded benefits which we believe will lead to a more level playing field between different types of generators

We are consulting on the proposed decisions in the TCR and welcome views by 4 February 2019. This is a consultation and not a decision.

We are reviewing the charging framework holistically; working closely with the Electricity Network Access and RIIO project teams to ensure a consistent approach is taken to the different reforms underway across the energy system.

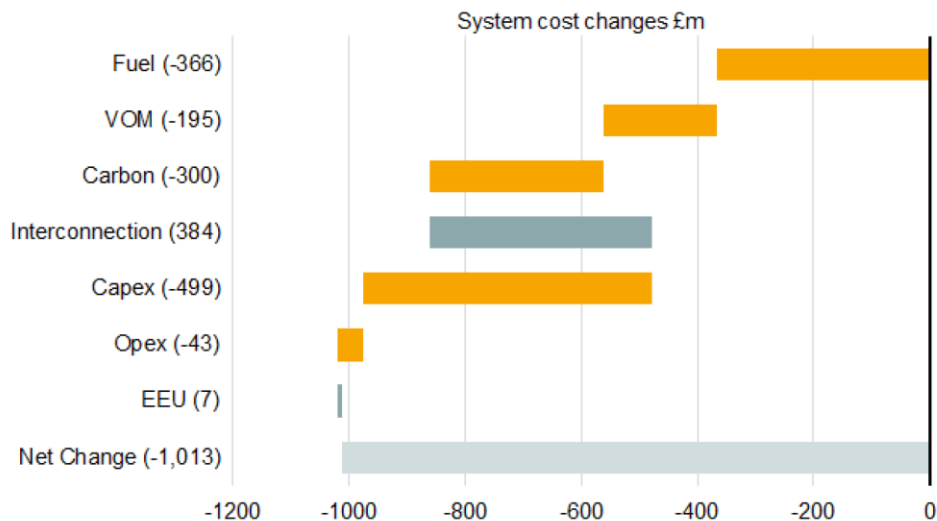


| Option | Reducing Distortions | Fairness | Proportionality and practicality | Distributional impact |
|--|---|---|--|---|
| 1) Fixed charge (set by volume) | Removes existing distortions | Different charges for smaller and larger user groups is equitable | Relatively easy to implement, but boundary issues | Low distributional impact between segments, but some within |
| 2) Agreed capacity charge (deemed for domestics and microbusiness) | Removes existing distortions | Lower transparency and justifiability | Requires deemed capacity values, and management of capacity values | Lower distributional impact within segments |
| 3) Rolling ex ante capacity charges | Removes existing distortions but ex-post is avoidable | Lower transparency and justifiability | Ex-post element requires major system changes | Large redistribution of charges |
| 4) Mostly Fixed charges (75%), with ex-post (25%) | Removes existing distortions but ex-post is avoidable | Complex and non transparent charge | Ex-post element requires major system changes | Modest redistribution of charges |
| 5) Mostly agreed capacity (75%), with Net volumetric (25%) | Removes existing distortions | Lower transparency and justifiability | Requires deemed capacity values, and management of capacity values | Lower distributional impact within segments |

- To narrow down the 5 refined options we conducted a qualitative based assessment, comparing the options to the TCR principles.
- We identified 2 leading charges to continue for further analysis and consultation.

- Our two lead options are **Fixed** and **Agreed Capacity** (deemed and fixed for smaller users).

| Option | Justification | Allocation approach | | Charge basis | |
|--|--|---------------------|---|--------------------|-------------------------------|
| <p>A) Fixed</p> <p>Fixed charge is calculated for each user segment, defined by Line Loss Factor Classes. The allocation between segments is based on total segment metered volume (net).</p> | <p>There is a strong theoretical underpinning for fixed charges. Allocation is based on an easily measurable quantity, and updates annually for segments.</p> | <p>Small users</p> | <p>Allocated based on net volumes in segment.</p> | <p>Small users</p> | <p>Fixed charge</p> |
| | | <p>Large users</p> | | <p>Large users</p> | |
| <p>B) Agreed Capacity</p> <p>For those larger users which have agreed capacity, a charge is calculated directly. Deemed capacities are set for domestics and smaller non-domestics.</p> | <p>Ex ante capacity charges for larger users allow for more differentiation and fewer boundary effects. Reduces distributional impact by deeming capacity for small users.</p> | <p>Small users</p> | <p>Allocated based on deemed capacities, with bands for domestics and small businesses.</p> | <p>Small users</p> | <p>Fixed charge</p> |
| | | <p>Large users</p> | <p>Allocated based on agreed capacities.</p> | <p>Large users</p> | <p>Agreed capacity charge</p> |



Source: Frontier/LCP

- Overall our modelling shows that there is a **system cost saving** due to reduced fuel usage, CO₂ emissions, opex and capex spend.
- The fuel and carbon savings are significant and stem from the change in the technology mix that results from the scenario considered.
- Under Full Reform CCGT generation and Interconnector imports displace on-site gas reciprocating engines and gas CHP which no longer clear in the CM.

- Our consultation period is now open and we invite you to respond to our minded to position consultation by 4 February [here](#).
- If you have any future queries please contact TCR@ofgem.gov.uk.
- Will present at January's CFF
- We are very keen to hear from CDB members on the practical challenges around implementation and solutions.

**Review Balancing
Services Charges
Task Force Terms of
Reference**



4. Access Project Update

Ofgem

CDB – Access Project update

Recap and potential stakeholder
engagement approach



Context: The energy system is changing (eg growth of electric vehicles, distributed generation and battery storage). These changes could create challenges and opportunities for our electricity networks.

Objective of the Access Project:

We want to ensure electricity networks are used efficiently and flexibly, reflecting users' needs and allowing consumers to benefit from new technologies and services while avoiding unnecessary costs on energy bills in general.

Our Electricity Network Access project is seeking to reform electricity network access and forward-looking charge arrangements* to achieve this objective -

Access arrangements – the nature of users' access to the electricity networks (for example, when users can import/export electricity and how much) and how these rights are allocated.

Forward-looking charges – the type of ongoing electricity network charges which signal to users how their actions can either increase or decrease network costs in the future.

The case for change

Increasing constraints caused by both generation and demand at distribution level, yet also increasing opportunity to mitigate these through flexibility (eg Imperial College suggests potential savings of up to £4-15bn cumulatively to 2050 from reducing electricity network reinforcement).

Substantially different approach across transmission/distribution and generation/demand boundaries means increasing risk of distorting investment and operational decisions

*This is different to the residual element of network charges that are 'top up' charges set to ensure that the network's efficient costs can be recovered, after other charges have been levied.

Network access arrangements

Improving access choice and definition for larger users

Clarify access rights and choices for smaller users, including households

Improving the allocation of access rights, including enhancing the scope for markets

Forward-looking charging arrangements

Wide-ranging review of distribution use of system charges (DUoS)

Review of distribution connection charging boundary

Focused improvements to the transmission use of system charges (TNUoS)

Work so far: We published a working paper on access and forward looking charges in November 2017. In July 2018 we consulted on launching a Significant Code Review. We received responses in September 2018.

We intend to publish a decision on our way forward in December 2018.

Ahead of a **possible** SCR launch in December, we've developed a potential approach to stakeholder engagement.

- If an SCR is launched, it would need to be undertaken in a transparent and open manner. We would also need industry input to support the development of different options.
- We would envisage an ongoing role for the Charging Delivery Board (CDB) and Charging Futures Forum (CFF) -
 - **CDB** – continue to provide strategic guidance regarding the coordination and implementation of this project with broader charging reforms.
 - **CFF** – continue to be a means of engaging with, and updating, a wider range of our stakeholders.
- In addition, we would see value in potentially creating a new '**Delivery Group**' and a '**Challenge Group**' specific to the Access and Forward-looking Charges SCR.

Delivery Group

Who?

- Ofgem, Network companies, the ESO, relevant code administrators, the ENA and a representative for IDNOs
- Chaired by Ofgem

Purpose?

- Provide knowledge and experience of how the networks are planned and operated, to help develop and assess options within the SCR
- May commission and coordinate smaller working groups to complete some activities

Meetings?

Approximately every 4 weeks (and as required)

Challenge Group

Who?

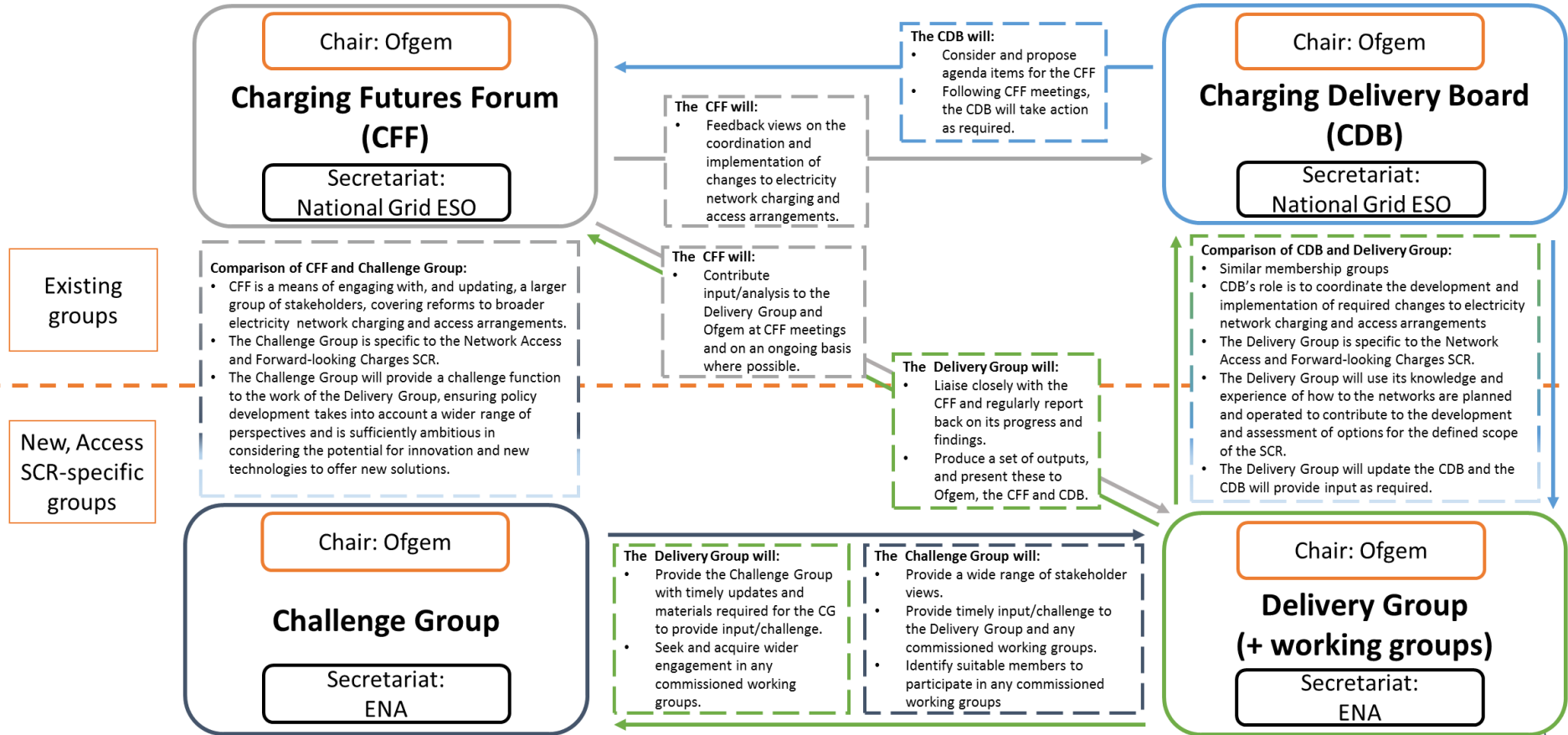
- Wider stakeholders and users of the network (eg innovators, academics, suppliers, generators, consumer groups)
- Chaired by Ofgem

Purpose?

- Provide ongoing wider stakeholder input into the SCR
- Provide a challenge function to the work of the Delivery Group (and any working groups)
- Ensure policy development takes into account a wide range of perspectives and is sufficiently ambitious in considering the potential for innovation and new technologies to offer solutions

Meetings?

Approximately every 6 weeks (and as required)



- Publish decision – **18th Dec 2018**
- Access podcast – **18th Dec 2018**
- Access webinar – **7th Jan 2019**
- Charging Futures Forum – **15th Jan 2019**
- First Delivery Group meeting – **Jan 2019 (tbc)**
- First Challenge Group meeting – **Early Feb 2019 (tbc)**

Our core purpose is to ensure that all consumers can get good value and service from the energy market. In support of this we favour market solutions where practical, incentive regulation for monopolies and an approach that seeks to enable innovation and beneficial change whilst protecting consumers.

We will ensure that Ofgem will operate as an efficient organisation, driven by skilled and empowered staff, that will act quickly, predictably and effectively in the consumer interest, based on independent and transparent insight into consumers' experiences and the operation of energy systems and markets.

5. Charging Futures Forum Agenda

Lead Secretariat



15th January Forum Agenda

| Session | Type | Purpose |
|---|--|--|
| 1. Introduction & updates a) Overview of Network Charging reform work b) Access & Forward Looking Charges update c) Q & A session | Learn Learn Ask | <ul style="list-style-type: none">• Update on progression of wider topics in the industry• Update on the Access & Forward Looking Charges and the introduction of the Challenge/Delivery Groups |
| 2. Balancing Services Charges a) Balancing Services Task Force presentation b) Balancing Services breakout session c) Q & A session | Learn Contribute Ask | <ul style="list-style-type: none">• ESO to give an overview of the scope of the work to be carried out in the Task Force and feedback from the BSUoS workshops |
| Lunch | | |
| 3. Targeted Charging Review a) Consultation overview b) Breakout 1 c) Breakout 2 d) Q & A session | Learn Contribute Contribute Ask | <ul style="list-style-type: none">• Ofgem to give an overview on the TCR• Users share their views on the consultation• Able to clarify questions they have to help Users prepare for consultation response |
| 6. Next steps & closing remarks | | |

Coffee Break

The right side of the slide features a decorative graphic composed of three overlapping geometric shapes. At the top is a light green triangle pointing downwards. Below it is a dark blue triangle pointing upwards. The bottom-most shape is a cyan triangle pointing upwards, which overlaps with the dark blue triangle. The cyan triangle's top vertex is aligned with the right edge of the text 'Coffee Break'.

6. Review of the CDB Terms of Reference

Lead Secretariat



7. Updates on new & Existing Charging Modifications

Code Administrators & Ofgem

Holistic view of Charging Modifications – In flight 30th November 2018

Implementation



| | 2017 | | | | 2018 | | | | 2019 | | | |
|---|------|----|----|---------|------|----|----|----|------|----|----|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| CUSC Charging Modifications | | | | | | | | | | | | |
| CMP271 - Improving the cost reflectivity of demand transmission charges Raised: 01/11/2016 | | | | On Hold | | | | | | | | |
| CMP274 - Winter TNUoS Time of Use Tariff (TToUT) for Demand TNUoS Raised: 01/11/206 | | | | On Hold | | | | | | | | |
| CMP276 - Socialising TO costs associated with "green policies" Raised: 17/03/2017 | | | | On Hold | | | | | | | | |
| CMP280 - Creation of a New Generator TNUoS Demand Tariff which Removes Liability for TNUoS Demand Residual Charges from Generation and Storage Users Raised: 31/07/207 | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| CMP281 - Removal of BSUoS Charges From Energy Taken From the National Grid System by Storage Facilities Raised: 31/07/2017 | | | | | | | | | | | | |

Workgroup

Work Group

Holistic view of Charging Modifications – In flight

Implementation 

| | 2017 | | | | 2018 | | | | 2019 | | | | |
|--|------|----|----|----|------|----|----|----|------|----|----|----|-----------------------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | |
| CUSC Charging Modifications | | | | | | | | | | | | | |
| CMP286 - Improving TNUoS Predictability Through Increased Notice of the Target Revenue used in the TNUoS Tariff Setting Process Raised : 10/10/2017 | | | | | | | | | | | | | Work Group |
| CMP287 - Improving TNUoS Predictability Through Increased Notice of the Target Revenue used in the TNUoS Tariff Setting Process Raised: 10/10/2017 | | | | | | | | | | | | | Work Group |
| CMP288 - Explicit charging arrangements for customer delays and back feeds Raised: 15/02/2018 | | | | | | | | | | | | | Work Group |
| CMP292 - Introducing a Section 8 cut-off date for changes to the Charging Methodologies Raised: 15/02.2018 Submitted to the Authority: | | | | | | | | | | | | | Work Group |
| CMP294 - National Grid Legal Separation changes to CUSC Section 14 Raised- 19/04/2018 Submitted to the Uauthority: 12 /09/2018 | | | | | | | | | | | | | Awaiting Authority Decision |
| CMP300 Cost reflective Response Energy Payment for Generators with low or negative marginal costs Raised 17/05/2019 | | | | | | | | | | | | | Work Group |

Holistic view of Charging Modifications – In flight

Implementation 

| | 2017 | | | | 2018 | | | | 2019 | | | |
|--|------|----|----|----|------|---------|----|------------|------------|----|----|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| CUSC Charging Modifications | | | | | | | | | | | | |
| CMP301- HVDC Subsea Circuits Raised : 17/05/2018 | | | | | | | | Sendback | | | | |
| CMP302 – Extending the Small Generator Discount in to the CUSC Raised: 2308/2017 | | | | | | On Hold | | | | | | |
| CMP303 – Improving Local Circuit Cost reflectivity Raised: 15/02/2018 | | | | | | | | Work Group | | | | |
| CMP304 – Improving EPRS Raised: 23/08/208 | | | | | | | | Work Group | | | | |
| CMP305 –Removing EPRS Raised- 23/09/2018 | | | | | | | | DFMR | | | | |
| CMP306 – Cost of Capital Raised - 20/09/2018 | | | | | | | | | Work Group | | | |
| CMP307 – Removal of BSUoS from EG Raised – 20/09/2018 | | | | | | On Hold | | | | | | |
| CMP308 – Removal of BSUoS from Generation | | | | | | | | Work Group | | | | |

Holistic view of Charging Modifications – In flight

Implementation 

| | 2017 | | | | 2018 | | | | 2019 | | | |
|--|------|----|----|----|------|----|----|----|-------------------------|----------------------------|----|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Distribution Change Proposals | | | | | | | | | | | | |
| DCP 243 - Treatment of Customer Contributions in the CDCM Category CDCM Target Implementation: 01/04/21 | | | | | | | | | Awaiting Ofgem Decision | | | |
| DCP 266 - The Calculation and Application of IDNO Discounts Category CDCM Target Implementation: 01/04/21 | | | | | | | | | Definition | | | |
| DCP 268 -DUoS Charging using HH Settlement Data Category CDCM Target Implementation: 01/04/21 | | | | | | | | | Awaiting Ofgem Decision | | | |
| DCP 287 - Generation Credits in the EDCM Category EDCM Target Implementation: 01/04/21 | | | | | | | | | Definition | | | |
| DCP 306 – Treatment of Ofgem License Fees within the PCDM Category PCDM Will be Implemented: 01/04/20 | | | | | | | | | | To be Implemented 01/04/20 | | |
| DCP 313 -Eligibility Criteria for EDCM Generation Credits Category EDCM Target Implementation: 01/04/2021 | | | | | | | | | Definition | | | |
| DCP 311 -Clarification of NUF Cap & Collar Calculations Category EDCM Will be Implemented: 01/04/20 | | | | | | | | | | To be Implemented 01/04/20 | | |

8. Key messages to be shared at Code Panel meetings



9. Next steps – timings of next CDB and CFF meetings





Meeting dates

> **Charging Delivery Body Meeting**

- > Post Forum meeting to be held at National Grid's office, Strand
 - > 7th February, 10 am 1pm
 - > 13th February, 10am – 1pm

> **Charging Futures Forum**

- > Date to be discussed

10. Any Other Business

