Charging Futures

Reforming electricity charging together

Forum

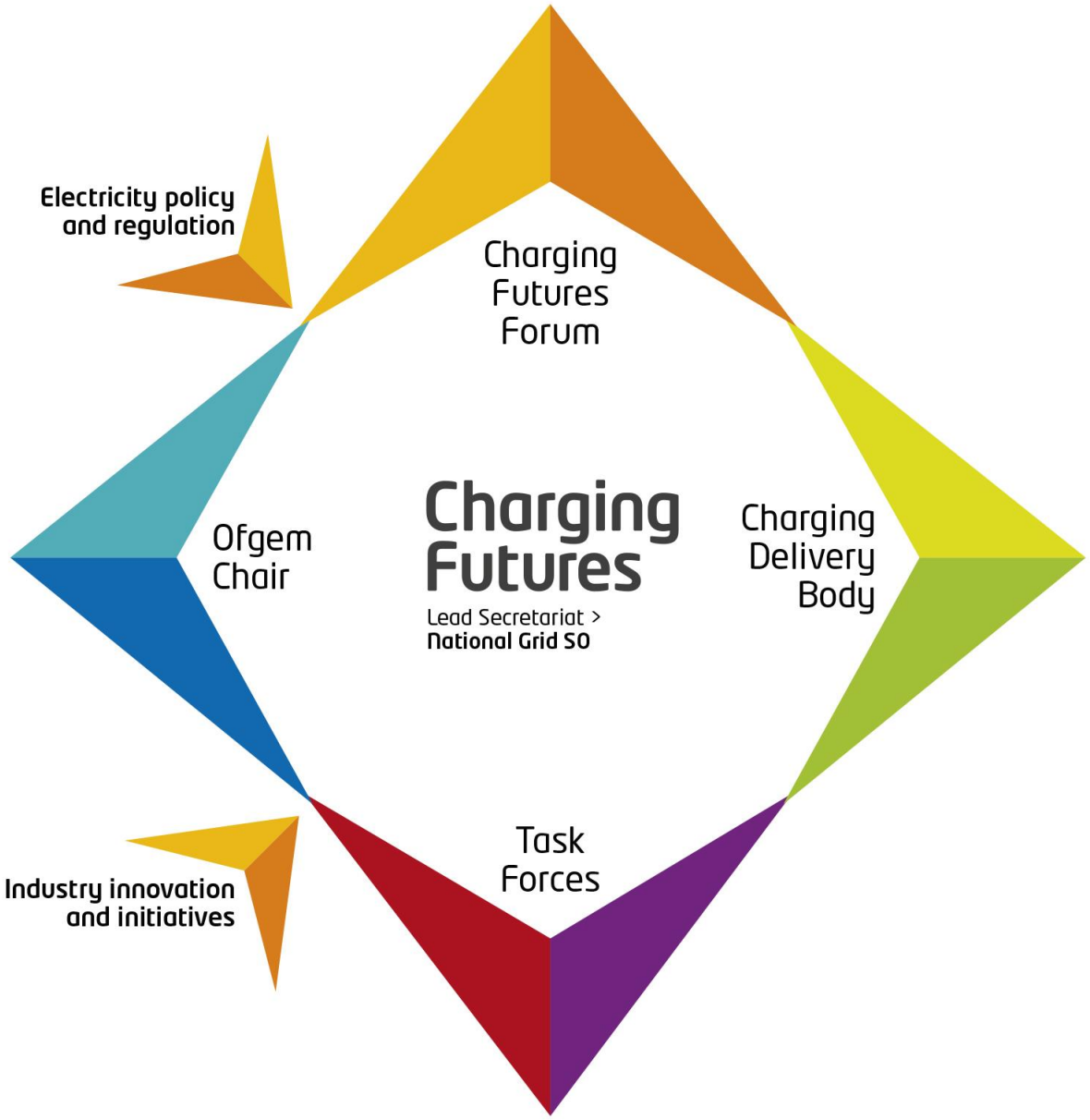
Charging Futures Forum

15 January 2019

Welcome

Gareth Davies, Industry Codes Governance Manager, National Grid SO

The Charging Futures ecosystem



INDUSTRY CODE GOVERNANCE

CUSC
Connection and Use of System Code (for transmission)

Code admin > **National Grid**

DCUSA
Distribution Connection and Use of System Agreement

Code admin > **Electralink**

BSC
Balancing and Settlement Code

Code admin > **Elexon**

Your involvement

Learn

Ask

Contribute

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Overview of the day

Gareth Davies, Industry Codes Governance Manger, National Grid SO

Objectives

- **Learn** about the progress within the Electricity Network Access & Forward-Looking Charges work package
- **Learn** about the Balancing Services Charges Task Force
- **Learn** about the Targeted Charging Review Minded to decision
- **Ask** the network charging experts your questions
- **Contribute** your thoughts on the Balancing Services Charges Task Force scope of work
- **Contribute** your views on the Targeted Charging Review minded to decision

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Agenda, part 1

- 10:00 – 10:20 **Welcome** – Gareth Davies, National Grid SO & Andy Burgess, Ofgem
- 10:20 – 10:40 **Electricity Network Access & Forward Looking Charges Review update -** Jon Parker, Ofgem
- 10:40 – 10:55 **Q & A -** Jon Parker & Andy Burgess, Ofgem
- **10:55 – 11:10 Coffee break**
- 11:10 – 11:40 **Balancing Services Charges Task Force overview** – Mike Oxenham, National Grid ESO
- 11:40 – 12:25 Balancing Services contribution session
- **12:25 – 13:10 Lunch**

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Agenda, part 2

- 13:10 – 13:55 **Minded to decision and Impact Assessment presentation -** Andrew Self, Ofgem
- 13:55 – 14:25 Targeted Charging Review contribution session 1
- **14:25 – 14:50 Coffee break**
- 14:50 – 15:35 Targeted Charging Review contribution session 2
- 15:35 – 16:05 **Q & A Panel -** Ofgem
- 16:05 – 16:15 **Closing remarks** - Gareth Davies, NG SO and Andy Burgess, Ofgem

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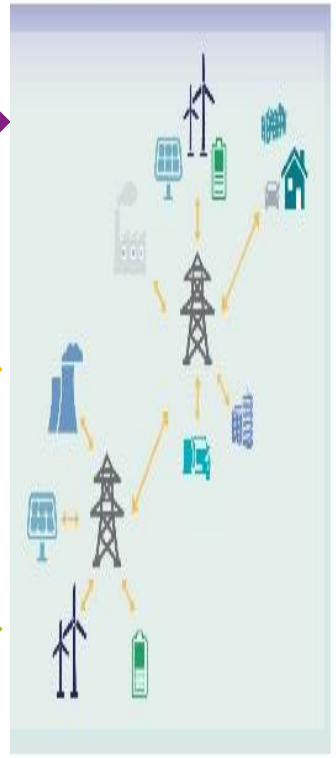
Introduction and overview

Andy Burgess, Deputy Director, Energy System Transition, Ofgem - Forum Chair

Changes in the system means changes in regulation

Drivers

- Decarbonisation
- Technological Change
- Digitisation and smart systems



Impact on the energy system

- Changes in the generation mix
  - Intermittent
  - Distributed
  - Less flexibility
  - More storage
- More active networks and demand side
- New large and uncertain loads
  - Heating
  - Electric vehicles
- Smart technologies

Impact on Regulation

- **Right incentives on market participants**
- **Right incentives on network companies**
- **Right framework for system operators**
- **Right approach to monopoly cost recovery**

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Access and charging reform



The energy system is going through a radical transformation.

These changes could create challenges and opportunities for our electricity networks.

We have two major projects addressing how electricity network access and charging should be reformed to address these changes and existing issues:

- The **Targeted Charging Review** (TCR). This seeks to remove those distortions not covered by our work on embedded benefits and to allocate fairly the long term fixed costs of the network infrastructure being there for when people may want to use it. We have a Significant Code Review (SCR) to address these issues. We are consulting on our proposed direction to the industry.
- **Access and forward looking charging reform**. We want to ensure that electricity networks can be used more efficiently and flexibly –so that users can have the access needed, and benefit from new technologies and services, whilst avoiding unnecessary costs. We have just launched an SCR.

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Potential changes to BSUoS and the TCR

The Balancing Services Charges Task Force will examine the potential and feasibility for some elements of balancing charges being made more cost-reflective.

BSUoS Task Force

TCR consultation responses and analysis

Will inform our decision on the removal of the Embedded Benefits for smaller embedded generation as part of the TCR

In light of the findings of the Task Force, ultimately, there are two possible outcomes for BSUoS, either:

A	BSUoS is solely for cost recovery	TCR principles for residual charging would apply	Mod(s) raised to effect changes
B	Some elements of BSUoS can provide effective forward-looking signals	- Identify how to charge forward-looking elements - TCR principles for residual charging to remaining elements	Mod(s) raised to effect changes

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Storage and the TCR SCR

We believe that storage should only face one set of residual network charges and that those charges should be applied in a manner consistent with generation.

Our TCR SCR will address some of the residual charges for storage, but we expect industry-led code modifications to address the remaining issues, as summarised below.

Charge	TCR-SCR proposed changes	Remaining changes (industry-led)
TNUoS residual	Residual charges to apply to final demand only	Remove charges from demand for the purpose of storage
DUoS residual	Residual charges to apply to final demand only	Remove charges from demand for the purpose of storage
BSUoS	Address disparity between charges faced by larger generators and benefits received by smaller generators	Remove charges from demand for the purpose of storage

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