



Please use this Pro-Forma when responding to the Interim Report and Consultation of the second Balancing Services Charges Task Force.

The Taskforce will take all responses into its consideration when producing the final report. When providing a response please supply a rationale, particularly in respect of any specific questions detailed below.

Please send your responses to [chargingfutures@nationalgrideso.com](mailto:chargingfutures@nationalgrideso.com) by 5pm on **26 August 2020**. Please note that any responses received after the deadline or sent to a different email address may not be taken into account by the Taskforce.

If you have any queries on the content of this consultation, please contact us at [chargingfutures@nationalgrid.com](mailto:chargingfutures@nationalgrid.com).

Question	Response
1. Do you agree with the Task Force's recommendations on who should pay Balancing Services Charges (Deliverable 1)? Please state your reasoning and evidence behind your answer.	We agree that BSUoS charges should be passed on to final consumers as a cost recovery rather than generators.
2. The Task Force have discussed how the recommendation on Deliverable 1) for Final Demand only to pay Balancing	<p>We are very concerned about the impact on energy intensive users.</p> <p>For the steel sector, grid defections are likely, as EII will be forced to consider alternatives such as onsite generation or closing down site operations</p>

<p>Services Charges could impact on large energy users and the potential for 'grid defection'. Do you think 'grid defection' is a possibility and to what extent would the Task Force's recommendations impact on your answer?</p>	<p>completely. UK EIs already face some of the highest electricity prices in Europe, with electricity prices 62% higher than in Germany and 80% higher than in France, after compensation and exemptions have been applied. Further cost increases will make the price disparity even higher and damage competitiveness. As outlined in the report, the change to BSUoS charges will in itself be unlikely to cause significant disruption, but the cumulative impact of already uncompetitive electricity prices, the TCR, and BSUoS reforms will be felt. UK Steel has already outlined how the price disparity over the past four years has prevented over £200m worth of investment in energy and plant efficiency in the UK Steel sector alone. Electricity prices are a key reason why the UK steel sector has been struggling over the past decade.</p> <p>It is also worth noting that the current exemptions and compensations provided to energy intensive industries as not provided on the basis of being "larger energy users" as implied by the task force report. EI compensation is only provided why companies meet strict electro-intensity and are trade-exposed. The taskforce should recognise the limited nature of the current scheme and, as such, it would be appropriate to consider exemptions for energy intensive industries, which met both criteria for electro-intensity and trade-exposure.</p> <p>In terms of direct grid defection, then domestic steel production has already reduced over the past ten years from over 13 million tonnes annually to around 7m tonnes today. Electricity prices are not the only factor influencing this, but a key aspect of why production has almost halved with a subsequent negative impact on electricity consumption.</p> <p>It is therefore crucial that the taskforce considers this in its recommendations, and avoids following the TCR results, where "the TCR seemed to also charge larger customers proportionally more than smaller customers" as noted in the taskforce's report. Ofgem must recognise the contributions of EIs to grid stability and over the economic impact on disadvantaged areas.</p>
<p>3. Do you agree with the Task Force's</p>	<p>Yes, we agree that this is appropriate.</p>

recommendations that an ex ante fixed charge would deliver overall industry benefits? Please state your reasoning and evidence behind your answer.	
4. How long do you think the fixed period should be and what in your opinion is the optimal notice period in advance of the fixed charge coming into effect? Please state your reasoning and evidence behind your answer.	-
5. Which approach discussed by the Task Force (TDR banded £/site/day or volumetric £/MWh) do you feel is most appropriate for Balancing Services Charges? Please consider your answer against the TCR principles and state your reasoning and evidence to support your answer.	
6. The Task Force noted limitations of the approaches covered in Q5, what other methodologies or improvements to the ones in Q5 could you recommend to tackle them? Please consider your answer against	<p>As per Q2, we do not believe the wider implications of EII's competitiveness have been taken sufficiently into account. The TCR process did not sufficiently address nor recognise the vulnerability of energy intensive industries and the large impact of network charges on their businesses.</p> <p>As such, we do not believe proposal can effectively meet all the objectives set out, in particularly fairness.</p>

the TCR principles and state your reasoning and evidence to support your answer.	
7. Is 2years' notice of the changes prior to an implementation date appropriate? Please state your reasoning and evidence behind your answer.	Yes, two years should be appropriate.
8. Should the Task Force consider any interim measures? Please provide details of any suggested interim solution including how it may deliver benefits to consumers or help to mitigate specific challenges facing market participants, whilst limiting any windfall gains or losses between industry participants.	-
9. Do you feel that there any interactions with the Supplier Price Cap that need to be considered? Please state your reasoning and evidence behind your answer.	-
10. The Task Force's initial recommendation is that Final Demand only will pay BSUoS. If this is the case, is the current RCRC mechanism is still	-

appropriate? Please state your reasoning and evidence behind your answer.	
11. Is there anything further you think the Task Force needs to consider?	The Net Zero target must also be considered when assessing BSUoS charges. For EIs, electrification is a key route towards decarbonisation (alongside hydrogen and CCUS, which both also increase electricity use), however, with even higher electricity prices, it becomes commercially impossible to switch the production methods. Adding further charges to larger energy consumers and EI will prevent them from making the switch to low carbon production and as such these network reforms will make it more difficult to meet the Net Zero target.
12. Please use this box to add any further comments that you may have	Finally, we would question the representativeness of the task force, which is made up predominantly of utility and generator representatives with no consumer groups or EI representatives. We question whether suppliers can truly “act as a proxy for customers’ interests” as this principle has not been applied in the general Government stakeholder engagement, especially when the utilities have such a large diverse customer base, ranging from domestic customers to commercial users, and vulnerable industrial customers.