



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.	<p>We agree that BSUoS should be levied on final demand users only. It will level the playing field for all generators in more ways than highlighted in the consultation. The decision on CMP281 was a welcome one for storage operators. However the execution did not remove barriers for storage co-located to other generation. Removing BSUoS for all generators meets all the TCR principles in fairness and removing distortion between generators as well as being a practical and proportional response in easing implementation across generators.</p> <p>We agree that there is merit to removing the convoluted exchange of cost across various parties. Removing BSUoS as an unpredictable cost of running for generators should drive down the market</p>

	price and those competing in ancillary service tenders. This will minimise any net increase in cost for final demand.
2. The Task Force have discussed how the recommendation on Deliverable 1) for Final Demand only to pay Balancing 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?	If deliverable 2 is handled well then large users should not gain a substantially increased burden pushing them towards grid defection.
3. Do you agree with the Task Force's recommendations that an ex ante fixed charge would deliver overall industry benefits? Please state your reasoning and evidence behind your answer.	Yes it provides clarity to the market. Suppliers can be more confident in their contract offerings removing some risk premium and increasing competition for the consumer. For users on pass-through they can produce more accurate budgeting.
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.	<p>A fixed period of 12 months volumetric charge best serves BSUoS being a cost recovery mechanism using TCR principle. It is fair and prevents distortion. A user pays for what they use on the system. By using a 12month fixed price there is no bias towards one type of user's normal annual load profile to another. Comparable to FiT &amp; RO, every user pays the same rate for the charging year. Being volumetric based, an incentive remains to implement energy efficiency; use less, pay less. There is no element of luck of the draw with cliff edge boundaries creating "winners" and "losers". By keeping it as an annual rate there is no time of use behaviour signalling, it remains cost recovery.</p> <p>The 12 months should be from April in line with other charges for practicality.</p> <p>For the notice period there is a trade-off between accuracy of forecast for the ESO</p>

	<p>and supplier risk. 6 months in advance would be more helpful for suppliers to build into pricing models when offering contracts, removing an element of risk premium to build in. However it should be made clearer what risk a longer period of forecasting brings to the ESO. Need more information on how likely and to what extent the ESO's forecasting will be under or over and how significant errors will be recovered in the market. This could ultimately undo cost savings to the user from the supplier by increasing their risk.</p>
<p>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.</p>	<p>We support a volumetric £/MWh charge. A fixed site charge creates potential for cliff edge scenarios between users. It's these types of scenarios that will incite grid defection amongst those most impacted. Large users will have already been negatively impacted by the outcome of TCR bandings; for some bands the more recent June indicative is significantly higher than the original Ofgem indicative. The second task force consultation has highlighted many more negatives for the fixed site charge.</p> <p>By levying on a £/MWh basis, a user pays for what they use. Whilst BSUoS is intended to be on a cost recovery basis a charging reform should not entirely discourage energy saving measures. For example implementing energy efficiency measures following ESOS audit recommendations. The site charge is counter intuitive to the net zero carbon 2050 goal.</p> <p>We don't agree that carbon intensive behind the meter generation will be encouraged as a result of maintaining BSUoS as a volumetric charge. BtM is growing amongst users, BSUoS reform is unlikely to cause a significant increase to existing growth. Preventing high network reinforcement costs will become more prevalent. Outside of this task force, more focus should be placed on encouraging renewable technology types of behind the meter generation and making these</p>

	<p>accessible. Carbon intensive BtM is already discouraged with increasing retail prices and carbon taxes. In addition, businesses are conscious of their consumers' awareness on sustainability. Meanwhile the cost of renewable technology decreases and new solutions are emerging. The SCR forward looking charges will be more of a driver of this BtM behaviour change as it should be.</p>
<p>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 the TCR principles and state your reasoning and evidence to support your answer.</p>	<p>A hybrid approach perhaps offers a slight improvement to reducing behaviour signalling than the volumetric, however this is at great detriment to proportionality and practicality. Hybrid would be more administratively burdensome to implement and manage and increase costs to consumers. Charges should be easy for all users to understand, and volumetric is far simpler. This means it is arguably fairer amongst users who will have different levels of knowledge on energy pricing structures and levels of engagement. An energy intensive user is going to be more engaged in understanding how they are being charged than a lower end user. An annual ex ante p/kwh charge is simple for consumers to understand.</p>
<p>7. Is 2years' notice of the changes prior to an implementation date appropriate? Please state your reasoning and evidence behind your answer.</p>	<p>It is dependant on the outcome of what is to be implemented. A volumetric charge is a more practical and proportionate solution in line with how systems are already implemented. There should be no logistical issue implementing this change within a 2 year time frame. A site charge although it could follow the new TCR template would be harder to agree on and take more time to implement due to resistance by unfairly affected parties. The DCUSA DCP358, 359 and 360 for TCR are still pending decisions when the target implementation was the 01/08/20.</p>
<p>8. Should the Task Force consider any interim measures? Please provide details of any suggested</p>	<p>If pushing forward with a 2 year implementation on the current timeline, introducing an interim measure would be unnecessarily burdensome. It would run the risk of being rushed and not thought</p>

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.	through, costing the industry and consumer more overall. Focus should be put on delivering the enduring solution on schedule.
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.	The price cap should be considered with all these reforms. The cap should always be reflective of real life charging to serve its intended role in protecting customers. With BSUoS better forecasted and price provided ex ante it will be easier to include this element.
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.	From talking with suppliers the RCRC is an insignificant cost and rarely factored into models. The positives and negatives usually net to near zero in any case.
11. Is there anything further you think the Task Force needs to consider?	
12. Please use this box to add any further comments that you may have	Modelling similar to the TCR indicative rates. Using historic NGESO forecasts to come up with an ex-ante rate for all final demand users.