

Interim Report and Consultation

Second Balancing Services Charges Task Force

Consultation Response – Fred. Olsen Renewables

Graham Pannell

Graham.pannell@fredolsen.co.uk

We welcome this work, particularly as a member of the first Balancing Services Charges Task Force.

Consultation Questions

This draft report shows the Task Force's thinking to date on the two deliverables; any and all feedback from industry is welcome. In particular, the Task Force is requesting responses to the set of Consultation Questions below:

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.

Yes, final demand.

Reasoning as per report (and as supported by work of the first task force).

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?

We would question the materiality of impact when compared to other charges faced by electricity users. Further, that ultimately reductions in generation costs should offset increased BSUoS tariff faced by final demand.

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. As report - "risk premium" element more efficiently removed by ESO fixing the price than if born by stakeholders.

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.

No comment.

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.

Can see the arguments for both. The reasons presented (for and against) could be quantitatively weighted to assist the decision - we would give by far the biggest weighting to the categories "harder to avoid" and "no behavioural signalling".

As a result - £/site/day avoids the volumetric option's perverse incentive for behind the meter generation – therefore for minimal charging signal *distortion*, accepting the resulting small increase in complexity, £/site/day would be our preference.

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.

No additions.

7. Is 2 years' notice of the changes prior to an implementation date appropriate? Please state your reasoning and evidence behind your answer.

Recognising the market distortion effects as described in the First Balancing Services Charges Task Force report, we think this distortion should be removed as soon as possible. Despite the Covid-induced delay we still see **April 2022** as a practical target date for implementation.

Aligning with demand residual charge banding implementation is a coincidental benefit of the April 2022 target.

With a portfolio of transmission connected and distribution connected generation, we currently have to factor BSUoS forecasting into many of our commercial decisions. We do not require any notice period for the proposed implementation, we would welcome implementation as soon as possible.

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.

Only if implementation is after April 2022.

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.

As report: reduced uncertainty.

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.

No comment.

11. Is there anything further you think the Task Force needs to consider?

Thanks Colm