



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 with the Task Force's recommendations on who should pay Balancing Services Charges (Deliverable 1).
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	<p>BSUoS costs should be recovered from "final demand" in a fair, proportionate and non-distortive manner.</p> <p>We note that the Task Force is concerned about the potential impact of changes to BSUoS charges on large energy users and the related possibility of "grid defection".</p>

<p>'grid defection' is a possibility and to what extent would the Task Force's recommendations impact on your answer?</p>	<p>Users of the network including large energy users currently pay BSUoS charges either indirectly through the power price or directly through charges levied by suppliers. The proposals to levy costs on final demand will change the basis of charging such that large consumers may pay less, and smaller consumers may pay more. Any change associated with BSUoS charges will inevitably create new dynamics for users, and this should be recognised in the design of the final demand tariffs.</p> <p>The risk of grid "defection" clearly needs to be considered in the design of the cost recovery charges for final demand. We note that work on this design is being undertaken in relation to the treatment of the demand residual. The same model should apply to the recovery of BSUoS charges. This is administratively simple and should be straightforward to implement. BSUoS charges should therefore be applied to final demand as fixed ex ante cost recovery charges. This approach is consistent with the Transmission Charging Review approach i.e. one that is fair, proportionate and non-distortive</p>
<p>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.</p>	<p>BSUoS charges should be based on an ex ante fixed charges for final demand. This approach is consistent with efficient, fair, non-distortive and proportionate recovery of costs from demand users.</p> <p>We do not support £/MWh charges for BSUoS costs since the dynamic response to such charges will distort the wider energy market</p>
<p>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</p>	<p>The notice period for BSUoS charges should enable the efficient and economic recovery of costs.</p> <p>The definition of the notice period and fixed period needs to take into consideration:</p>

<p>evidence behind your answer.</p>	<ul style="list-style-type: none"> <li>i) The process by which the ESO forecasts the expected level of charges. Clearly the longer they are forecast in advance, the greater the potential for errors associated with the outturn;</li> <li>ii) Whether there are within period revenue recovery charges as part of any reconciliation process, where actual charges are adjusted for outturn effects; and</li> <li>iii) the treatment of under-recovery or over-recovery of costs associated with the relevant period</li> </ul> <p>A longer notice period may be appropriate if the arrangements are subject to within period revenue recovery adjustments or under and under recovery allowances</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>BSUoS costs should be recovered through fixed ex ante charges for customers. This approach is fair, proportionate and non-distortive. On this basis the charges should be based on the proposal for the transmission distribution residual and banded on a £/site/day basis.</p> <p>We do not support volumetric £/MWh charges for BSUoS costs as these introduce market distortions to the extent that certain users may seek to avoid the charges.</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</p>	<p>BSUoS charges should be based on the proposal for the transmission distribution residual and banded on a £/site/day basis</p>

reasoning and evidence to support your answer.	
<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>A notice period for implementation of the change should be provided so that market participants can manage an orderly transition from the current arrangements. This notice period should consider:</p> <ul style="list-style-type: none"> <li>i) The impact on the wholesale electricity market of the move from £/MWh changes to fixed charges for BSUoS costs, which impacts on power prices and wholesale contracts;</li> <li>ii) The impact on supplier contracts with customers and the extent to which they can pass through the different costs to the customers;</li> <li>iii) The design and delivery of the relevant IT systems including billing systems associated with the changes;</li> <li>iv) The extent of changes taken place including those associated with the transmission demand residual and the cumulative effect on these changes on suppliers and customers.</li> </ul> <p>Given the scale and extent of the proposed change we believe that a two-year lead time for the change to BSUoS charges seems reasonable.</p>
<p>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</p>	<p>We do not support the introduction of temporary interim measures in relation to the potential reform of BSUoS charges.</p> <p>We are concerned that any interim changes would result in a partial solution and divert resources from developing the enduring solution at a time when there is an additional cumulative burden on market participants associated with the TDR reforms (removal of the generation residual, the move to gross changing and</p>

gains or losses between industry participants.	<p>the reform of the demand residual to create fixed demand charges).</p> <p>The Task Force should work towards implementing an enduring solution.</p>
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.	We do not have any views on the interactions with the Supplier price cap.
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.	The RCRC mechanism relates to the treatment of imbalance revenue under the BSC. We do not believe that these arrangements should be considered as part of the BSUoS task force reforms. Imbalance revenue is out of the scope for the second BSUoS task force.
11. Is there anything further you think the Task Force needs to consider?	As noted above, BSUoS costs should be recovered through fixed ex ante charges applied to demand users.
12. Please use this box to add any further comments that you may have	Recovery of costs through BSUoS charges should be compliant with Regulation 2019/943.