

Headline Report – Meeting 2 – Second Balancing Services Task Force

Second Balancing Services Task Force

The Headline Report is produced after every Task Force meeting and aims to provide an overview of the key decisions made. A more comprehensive meeting summary will be published separately.

Meeting Focus

The purpose of the meeting was to agree an outcome for Deliverable 1 and, if not possible, identify analysis needed to close deliverable 1.

The Task Force reviewed analysis undertaken on the following themes, and discussed how these areas could be impacted if Balancing Services (BSUoS) fell on either Generation (transmission connected, distribution connected, interconnectors), suppliers, or both:

- Qualitative study on transaction costs and potential market distortions associated with BSUoS
- Cost of Capital and Securities associated with BSUoS
- Review of Risk Premia analysis undertaken in CMP250 (A modification which previously looked to fix BSUoS charges)
- A review of European regulation and its effects on any potential solution for Deliverable 1.
- Impact of potential changes to the BSUoS charging base on De-Carbonisation
- Review of TCR work on interconnector flows and assessment of relevance to the TF work
- Impact of potential changes to the BSUoS charging base on Interconnector Investment Efficiency
- Comparisons with other countries balancing services cost recovery regimes

Key Takeaways

- The Taskforce agreed that if distributional changes in terms of who pays BSUoS were recommended by the Taskforce these would not be suitable for implementation in 2021. The Taskforce requested that Ofgem provide clarity on their agreement with this position.
- The majority of the Task Force agree that liability for Balancing Services Charges should sit with suppliers. The Task Force will be undertaking further analysis to determine how the charge should be constructed and recovered, which will help feed in to a final recommendation in regards to who will be liable to pay these charges.
- Other Task Force members are still keen to further explore solutions in regards to who should pay, be that Generation or other groups of system users.
- The Taskforce agreed that a full conclusion on Deliverable 1 would only be possible following consideration of the principles of Deliverable 2.

Any Questions?

- Please contact chargingfutures@nationalgrideso.com