

Headline Report – Meeting 4 – 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 refine potential options for how balancing services charges should be recovered. The TF also considered analysis on BSUoS forecasting and the impact to suppliers or the ESO of taking on the full risk of BSUoS presented by Task Force members. The ESO secretariat function also discussed the progress and the plan for the interim report.

BSUoS Forecasting, Fixing and Risk Analysis

- Two Task Force members presented analysis on BSUoS forecasting, risk and fixing. Previously, the Task Force had looked at analysis undertaken in CMP250¹ looking at BSUoS risk premia added by supplier. In TF meeting 2, it was decided that it would be beneficial to update the data used to reflect the interim period between CMP250 being rejected, and 2019. The analysis indicated BSUoS, over time, has become more volatile leading the TF to conclude that additional risk premia would need to be added to bills to cover the potential of unexpected costs.
- The TF discussed whether there was a suitable time horizon over which BSUoS costs could be fixed and considered that it would be difficult to find a period that would suit all parties.
- The supplier analysis looked at BSUoS risk from a pricing and customer viewpoint. The TF agreed that there is a cost to the consumer on a principle basis, but it is hard to quantify what that exact cost is, as this would be contingent on what suppliers pass through to their customers and over what period any risk was removed from them.
- It was also recognised by the TF a party with a lower cost of capital and a guaranteed rate of return may be able to manage the risk better.

Options for BSUoS Charging Methodologies

- The TF reviewed the potential BSUoS charging options put forwards in meeting 3. The options broadly came into 3 charge constructions; a volumetric BSUoS charge, a banded charge (similar to the treatment of TNUoS and DUoS under the Targeted Charging Review) and a capacity charge. The options were assessed for positives and negatives against the TCR principles of reducing distortions, fairness, and proportionality.
- The TF agreed that the following options should be taken forward over various time horizons:
 - i) Ex-Post Volumetric Charge
 - ii) Ex-Ante Volumetric Charge
 - iii) Ex-Post Banded Charge
 - iv) Ex-Ante Banded Charge

¹ <https://www.nationalgrideso.com/codes/connection-and-use-system-code-cusc/modifications/cmp250-stabilising-bsuos-least-12-month>

The TF agreed to feedback on the options debated and to make the options transparent on the Charging Futures website.

Any Questions?

- Please contact chargingfutures@nationalgrideso.com