

# Second Balancing Services Charges Task Force

Meeting 7

2 September 2020



# Welcome and Introductions

Colm Murphy, National Grid ESO



# Apologies

No Apologies



# Agenda



# Agenda

	Topics to be discussed	Lead
1.	Welcome, Introductions, Recap 10:00-10:45 <ul style="list-style-type: none"><li>- Introductions and recap – 10 mins (CM)</li><li>- Action Log – 5 Mins (CM)</li><li>- Update from Ofgem Presentation 15 mins (JW)</li></ul>	Colm Murphy
2.	Review Consultation Responses 10:30-12:30 (Break to be included)	ESO
3.	Lunch 12:30 – 13:00	-
4.	Review Consultation Responses 13:00-14:30 (Break to be included)	ESO
5.	Final Report Discussion 14:30-14:50	ESO
6.	AOB and Next Steps 14:50-15:00	



# Recap and Industry Update

Jon Wisdom



# Ofgem Feedback

**Simon Cowdroy and Jon Wisdom spoke with Ofgem to discuss the TF report and their expectations.**

**Key pieces of feedback:**

- **They consider that volumetric is an appropriate approach even if only performing cost recovery – ie don't focus on banding as per TDR)**
- **Consider how to bring in more assessment of each element. If not quantitative how can a more thorough or signalled qualitative assessment be brought in – consider traffic light system/RAG status or other metric**
- **Be clear about translating any preferred options into deliverable solutions including industry deliverability and the effects/feasibility on the ESO of these solutions.**



# Actions Log





# Actions Log

Number	Action	Status
1	Action: Task Force members to organise attendance at Industry events to update on the work of the Task Force	Ongoing
2	Action: All members to complete analysis ahead of next Task Force meeting by February 7	Closed
3	Action: Task Force members to volunteer for upcoming engagement opportunities and events by contacting Joseph Henry.	Closed
4	Action: Grace March to attend TCMF and provide updates on Task Force progress.	Ongoing
5	Action: Secretariat to review Terms of Reference in regards to implementation approaches	Closed
6	Action: Ofgem to consider publication around implementation timescales.	Open
7	Action: ESO to provide BSUoS forecast information	Closed

# Actions Log

8	Action: Kayt Button to distribute EU Commission Infringement Letter (2009)	Closed
9	Action: Ofgem to write to Industry to request Contractual Positions Data	Closed
10	Jon Wisdom and Kayt Button to word questions for request of Contractual Positions Data	Closed
11	Josh Logan to update CMP250 Analysis	Closed
12	ESO to refine Interconnector Flow Analysis	Closed
13	Task Force Members to complete Table detailing their thoughts on potential solutions ahead before 21 February 2020	Closed
14	ESO to ascertain feasibility of undertaking flow based modelling analysis and associated costs.	Closed
15	Caroline Bragg to present at Charging Futures Forum on 12 March 2020	Closed
16	ESO to undertake BSUoS Volatility Analysis	Closed



# Actions Log

17	Suppliers to undertake analysis on what the optimum fixing period for BSUoS	Closed
18	ESO to undertake Cashflow Analysis for different options	Closed
19	ESO to identify suitable dates for Webinar	Closed
20	ESO to check finance position on reporting under recovery as a loss	Closed
21	ESO to consult investor relations team	Closed
22	ESO, George Douthwaite and Josh Logan to further refine Risk Premia, Fixing and Forecasting analysis	Closed
23	TF to review options for solutions ahead of next meeting	Closed
24	George Moran to distribute capacity option to TF	Closed
25	ESO to distribute draft report	Closed

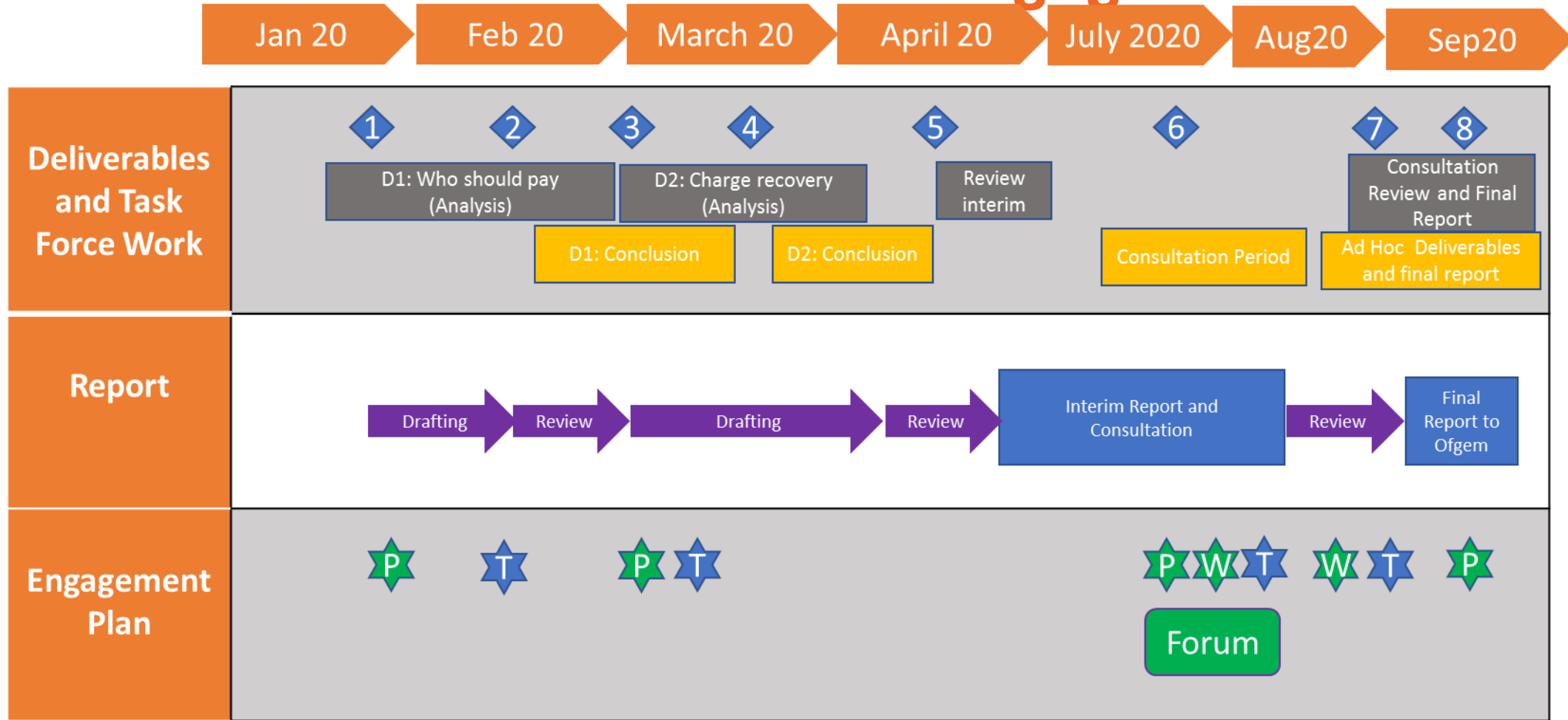
# Engagement Plan

Jon Wisdom, National  
Grid ESO





# Overview of Deliverables and Engagement Plan



Key	
P	Podcast
W	Webinar
CFF	Charging Futures Forum
T	TCMF

- We are now at meeting 7 – timelines have been reviewed and updated post pause/
- Extra meeting scheduled in between meetings 7 and 8 for w/c 7 September – 9<sup>th</sup> most popular date so far
- Final Report due 30 September 2020

# Timelines – Meeting and Milestone dates

Date	Event/Milestone	Purpose
08-July	TF Meeting 6	Review Interim Report
20- July	Webinar	Interim Report and Consultation
22-July	Consultation Opens (25 Working Days)	Industry feedback
11- August	Webinar	Opportunity to update and take questions
27-August	Consultation Closes	-
1-September	TF Meeting 7	Review Consultation Responses
w/c 7 September	TF Meeting 8	Further discussions
17-September	TF Meeting 9	Final Report
26-September	Review Final Report	Finalise report
30-September	Report to Ofgem	-



# Consultation Responses

Joseph Henry



# Interim Report and Consultation

**The Interim Report and Consultation period lasted for 5 weeks, closing 26 August 2020.**

**Our engagement strategy lead to a large volume of responses**

**33 non confidential responses were received**

**2 confidential responses were also received and sent to Ofgem**

# Who responded to the consultation?

A wide range of responses were received – we have attempted to categorise them into broad groupings.

Vertically Integrated

Generators

Renewables

Energy Intensive Industry

**Respondents**

System Operator

Trade Body

Suppliers

Developers



# What did respondents agree with by majority?

Many consultation respondents agreed with the Task Force's interim findings – these areas saw the majority of responses agree.

Volumetric Charge

Fixing of Charge

No interim measures

Ex Ante Tariff

**Respondents**

Low likelihood of Grid Defection

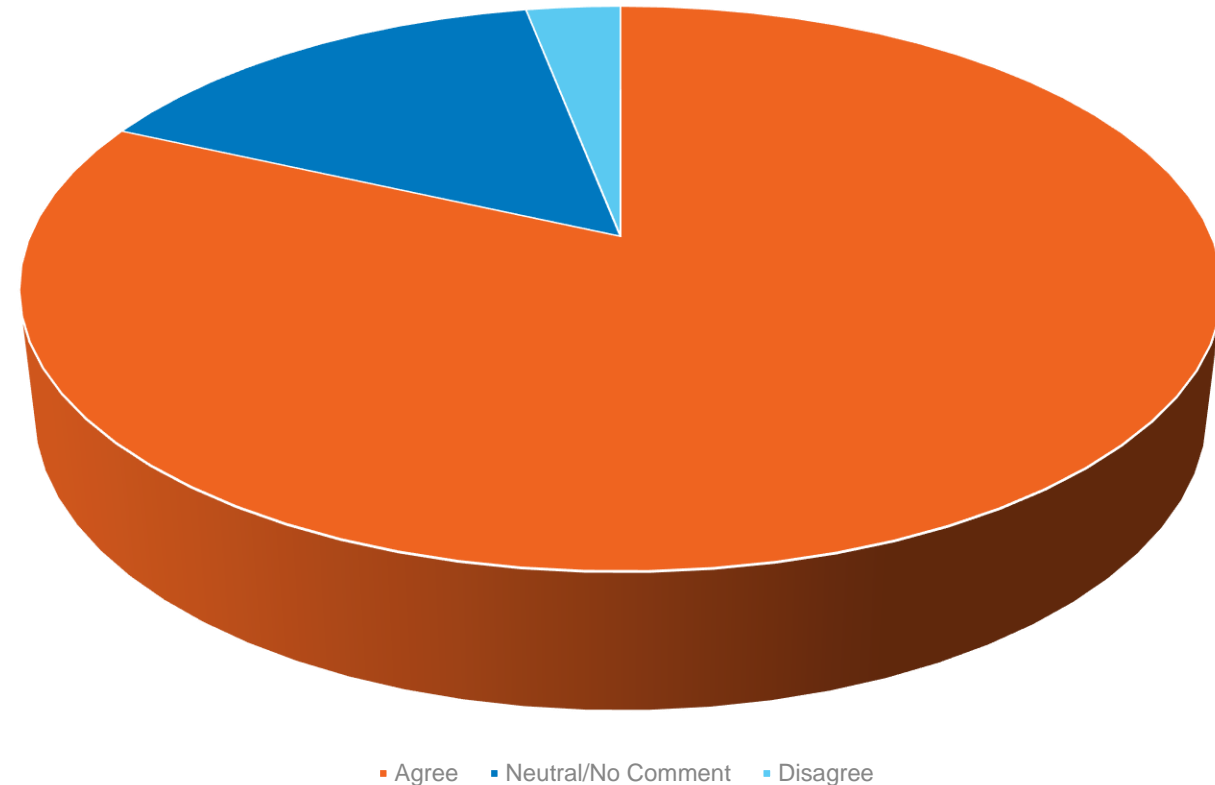
Notice Period of Charges

Implementation timescales of 2 years or more

# Who should pay BSUoS?

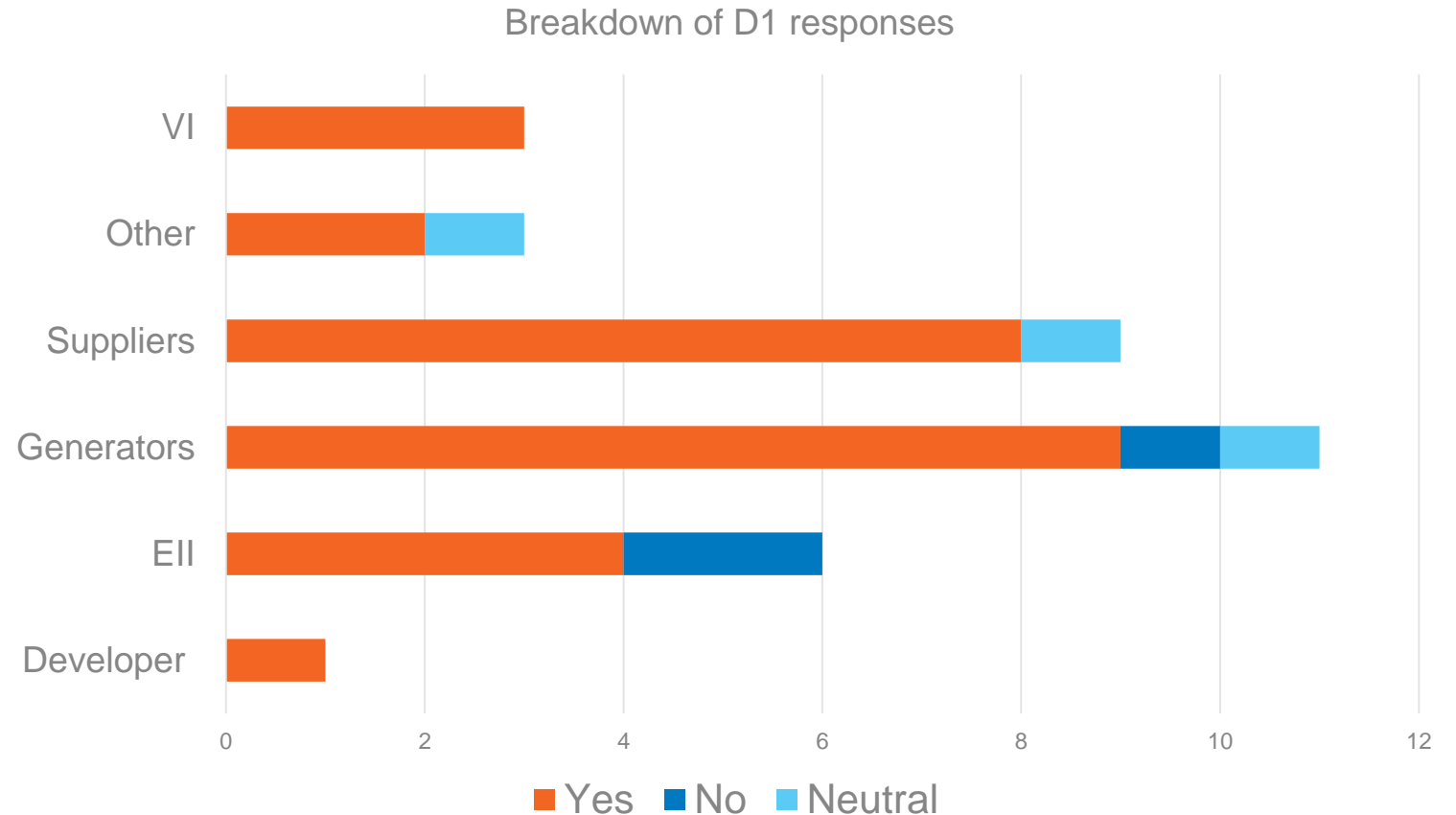
**81% of Respondents agree with the Task Force recommendation that BSUoS should be paid by “Final Demand”**

Deliverable 1 - Should Final Demand Pay BSUoS?



# Who should pay BSUoS? Which parties agreed with D1?

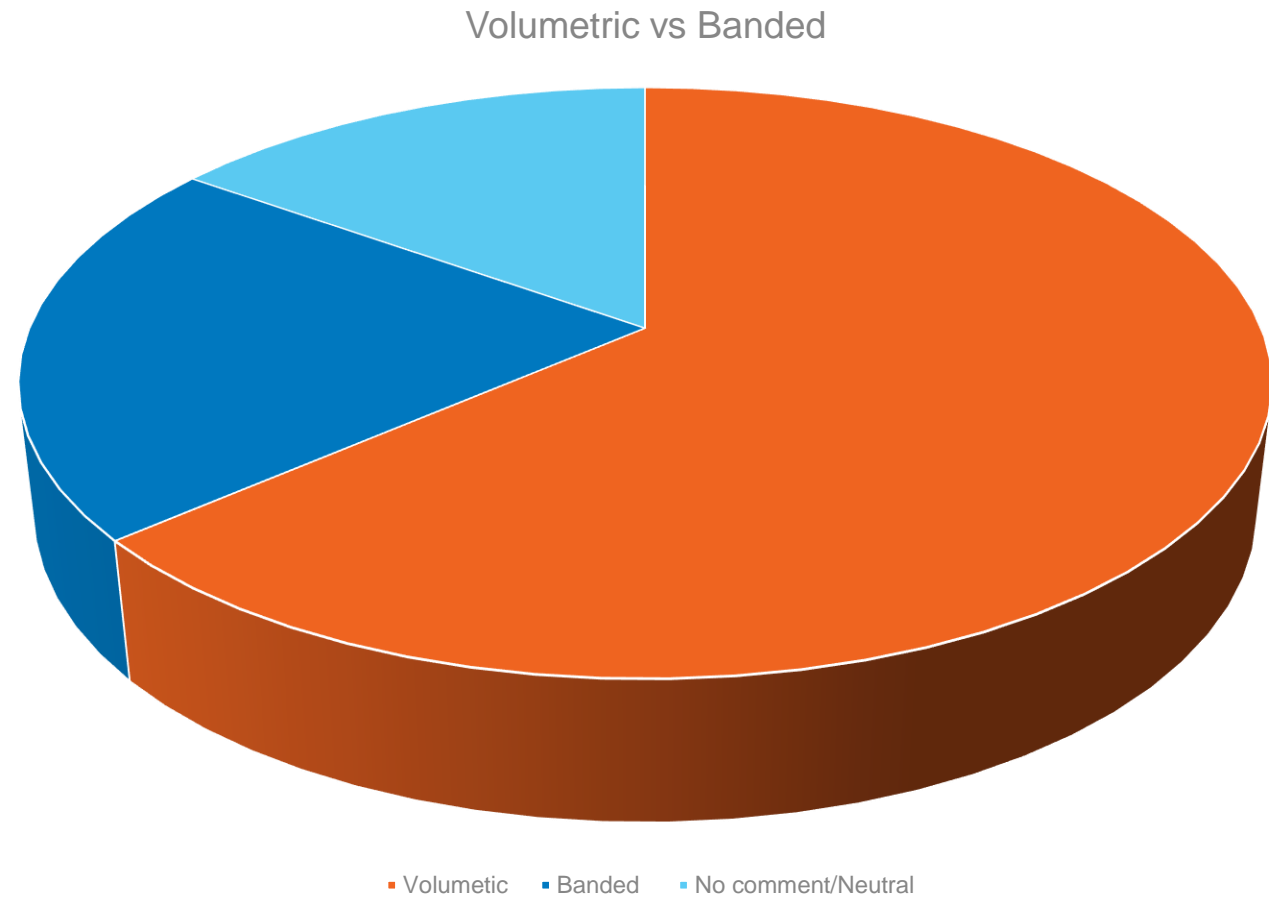
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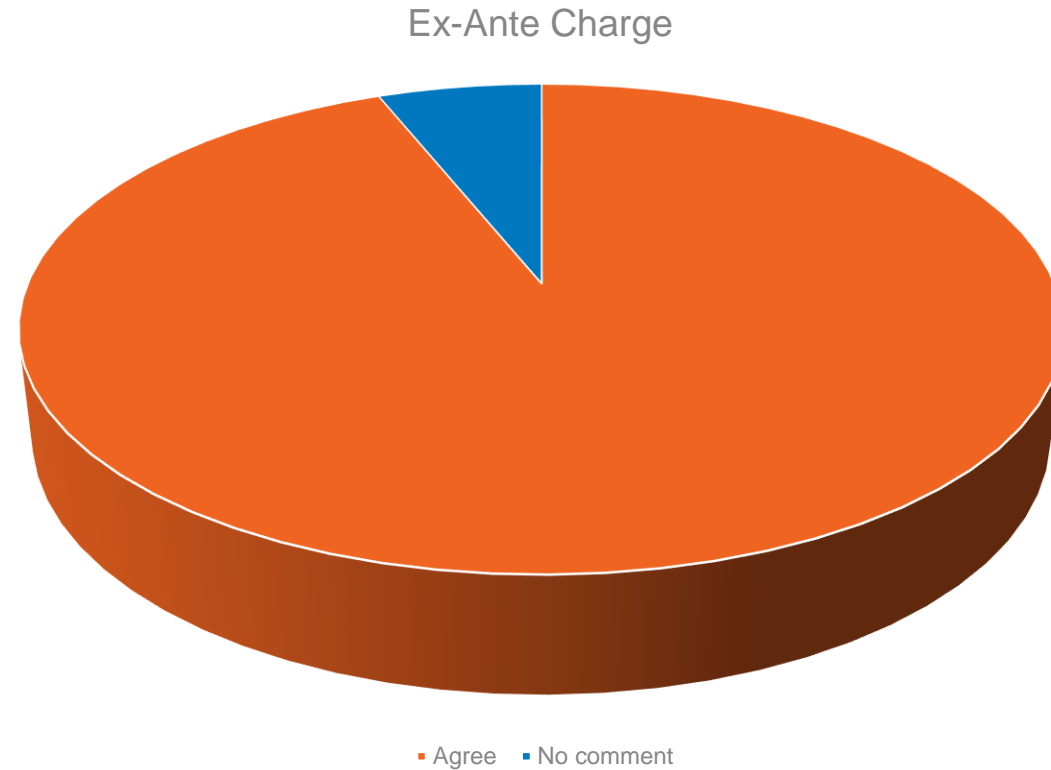
# Volumetric vs Banding

Almost two thirds of responses preferred a volumetric BSUoS charge over a banded charge



# Ex Ante Charge

The overwhelming majority of responses agree with the recommendation that BSUoS should be an Ex-Ante charge



# What did respondents agree with by minority?

**Some consultation respondents expressed support for several aspects outlined in the report – but not by majority**

Banded Charge

Length of Notice Period – various timescales put forwards

Interim measures – especially in regards to Covid -19

Other suggested methodologies

**Respondents**

Length of Fixing

Notice Period

No Scope for TF to deal with RCRC

Implementation timescale < 2years



# What did Generators tell us?

**10 responses came from Generators**

Majority view that Final Demand should pay BSUoS

Majority support a 2 year implementation – however some have suggested 1 year only

Mixed opinions on RCRC – some believe to be in scope, and some out

Majority view that Grid defection likelihood would be low

Minority suggest that domestic price cap adjustment should be considered

Mixed opinion on Banded vs Volumetric – several no comments

Majority view that BSUoS should be Ex-Ante

CMP317/327 and congestion raised as a discussion point by a generator

Concerns raised on TCR Bandings, Behind the Meter Gen, and learnings from DUoS

Majority View that Notice and Fixing needed – Varying views on length of time

One response highlighted impacts on distributed generation

# What did Suppliers tell us?

**9 responses came from Suppliers**

Majority view that Final Demand should pay BSUoS

Majority support a 2 year implementation – however some have suggested periods from 1-5 years

Mixed opinions on RCRC – some believe to be in scope, and some out

Majority view that Grid defection likelihood would be low

Minority suggest that domestic price cap adjustment should be considered

A number of suppliers supported interim measures, particularly around Covid-19

Majority view that BSUoS should be Ex-Ante

Majority support for Volumetric – several responses supported banding

Majority View that Notice and Fixing needed – Varying views on length of time

Options put forwards such as hybrid approaches, support also seen for simple recovery

# What did Vertically Integrated companies tell us?

**3 responses came from VI Companies**

Unanimous view that Final Demand should pay BSUoS

Unanimous support a 2 year implementation

Majority believe RCRC out of TF scope. Minority offered no comment

Minority view that Grid defection likelihood would be possible – if banding introduced.

Minority agreed that changes mean domestic price cap may be easier to set

Interim measures such as CMP308 and fixing charges in advance supported

Unanimous view that BSUoS should be Ex-Ante

Majority support for Banded, minority support for Volumetric

One response highlighted impacts on distributed generation

Unanimous View that Notice and Fixing needed – Varying views on length of time

Banding being carried out at a holistic level was suggested

# What did EII companies tell us?

5 responses came from EII Companies

Majority view that Final Demand should pay BSUoS – however concerns raised about EII Impact

Unanimous support a 2 year implementation

No comment offered on RCRC

Majority view Grid defection as unlikely, however there was a minority view to the contrary

Minority agreed that changes mean domestic price cap may be easier to set

Interim measures such as EII protections suggested

Unanimous view that BSUoS should be Ex-Ante

Majority support Volumetric, no support for banding

EIIs not represented on TF raised as a concern

Half of respondees agree that Notice and Fixing needed – Varying views on length of time. Others offer no comment

Hybrid approach for EHV and BSUoS as a price signal suggested

Ofgem asked to assess impact on EIIs before making changes



# ESO financing – discussion topic

We would like to include a section in the Task Force final report on ESO financing of a fixed BSUoS charge.

## Summary of ESO Consultation Response on financing:

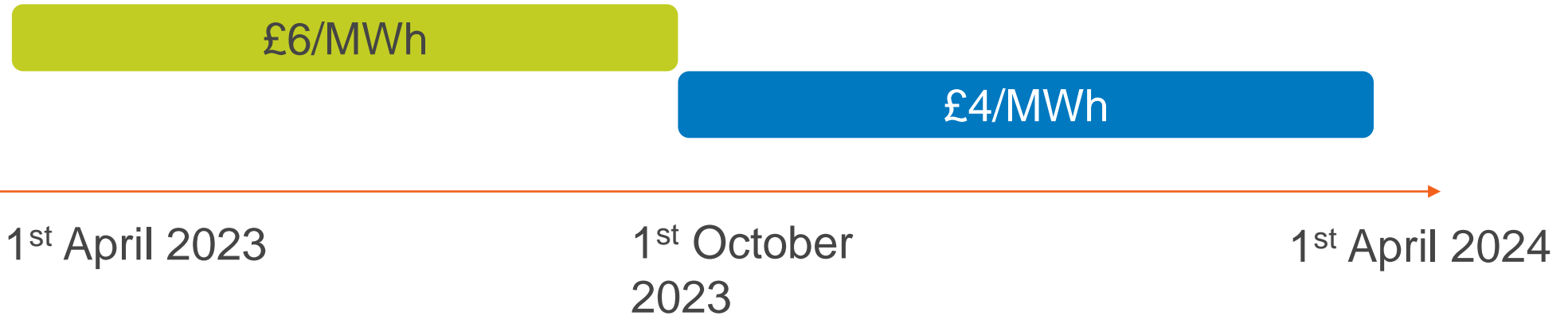
- Managing BSUoS shortfall as a legally separate entity at extreme levels of under-recovery may not be feasible for the ESO.
- The fixed period should not be longer than 12 months to help manage mismatches in recovery and expenditure and to avoid huge step changes fix on fix.
- To ensure that the transfer of BSUoS risk from industry parties drives value for consumers and there are no concerns that the ESO will be unable to raise necessary funds, the ESO proposes a cap on under-recovery. This follows on from discussions for CMP350 where a cap on total ESO support was introduced at £100m.
- The ESO expects to be adequately remunerated for managing the cash flow risk associated with BSUoS.

Within the report we would also like to include the Task Force's views on these three bullet points

# Within year Fixed Periods – discussion topic

In our consultation response we raised an option of a 12-month period with more than one charge for different months or seasons.

ESO publishes  
2023/24 BSUoS  
prices



- Signals to consume during different seasons contradict the "cost recovery" conclusions of the First Task Force.
- This methodology would support the ESO in minimising any within year shortfall whilst still providing certainty to the market over 12 months.

Within the report we would also like to include the Task Force's views on this proposal

# What did Elexon tell us?

**Elexon provided a response detailing several considerations**

Time of Use  
BSUoS/BSUoS giving a  
signal

RCRC considerations –  
benefits of same parties  
being liable for both

Issues around CMP281  
and P375 and concept of  
final demand.  
Before/behind meter  
generation

Closer Elexon  
involvement on TF –  
particularly in regards  
to RCRC

# What are your thoughts?

**Is there anything contained in the consultation which we need to take action on?**

**What should we address in the final report?**

**Do any of the responses have material impacts on your interim conclusions?**

**What do we need to do to address the consultation responses?**



# Final Report

Eleanor Horn





# Close and AOB

