



The quarterly Charging Futures Forum is the primary place for users of the electricity network to learn, contribute and shape the future of charging arrangements.

This summary gives an overview of the key topics presented and themes discussed at the Forum on 23 May 2018 at County Hall, London. There was a large amount of information covered on the day, which saw for the first time an overview three different projects relevant to charging reform. We appreciate that it was a lot to take in, so we hope this note, as well as the resources we'll be releasing over the next few months, will help guide you. The next Forum is scheduled for September.

Objectives of the Forum

On 23 May, users of the GB's electricity transmission and distribution networks came together for the third Charging Futures Forum. The objectives for the day were for attendees to:

- › **Learn** about
 - recent developments of the Targeted Charging Review, including Frontier's modelling work
 - the Settlement Reform Project
 - the Task Forces' final report on Access rights and Forward-looking charges, and Baringa's work on the case for change
- › **Ask** your questions to Ofgem and Task Force members
- › **Contribute** your thoughts on all three projects, including on interactions between the three projects through a facilitated session, to hear, discuss and feed-in your views on the three work projects.

See the full [agenda](#).

Overall programme and consolidated timeline

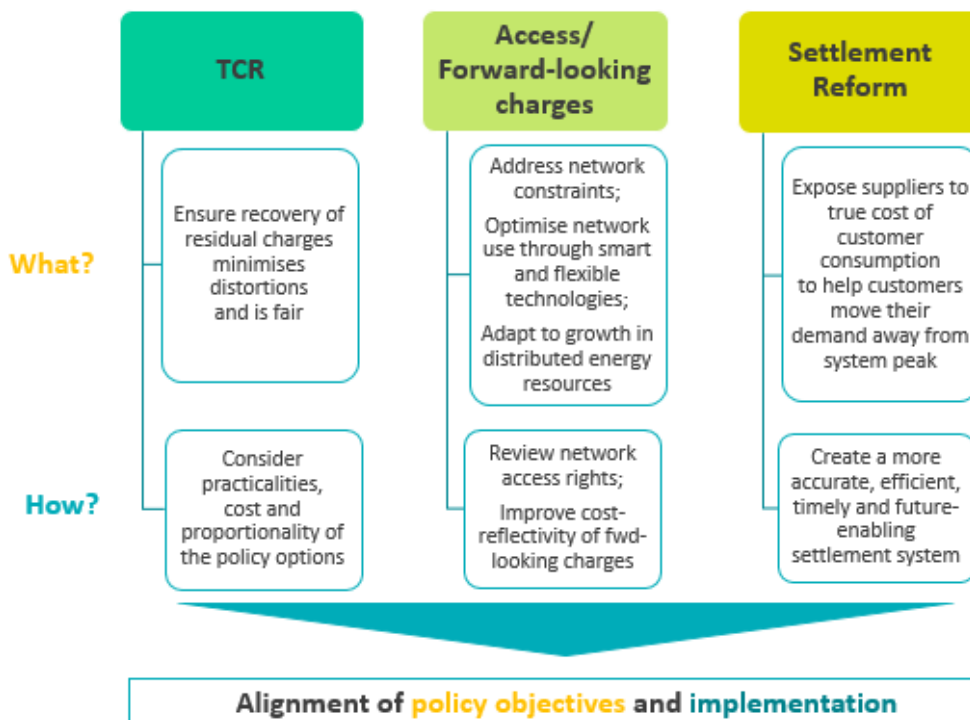
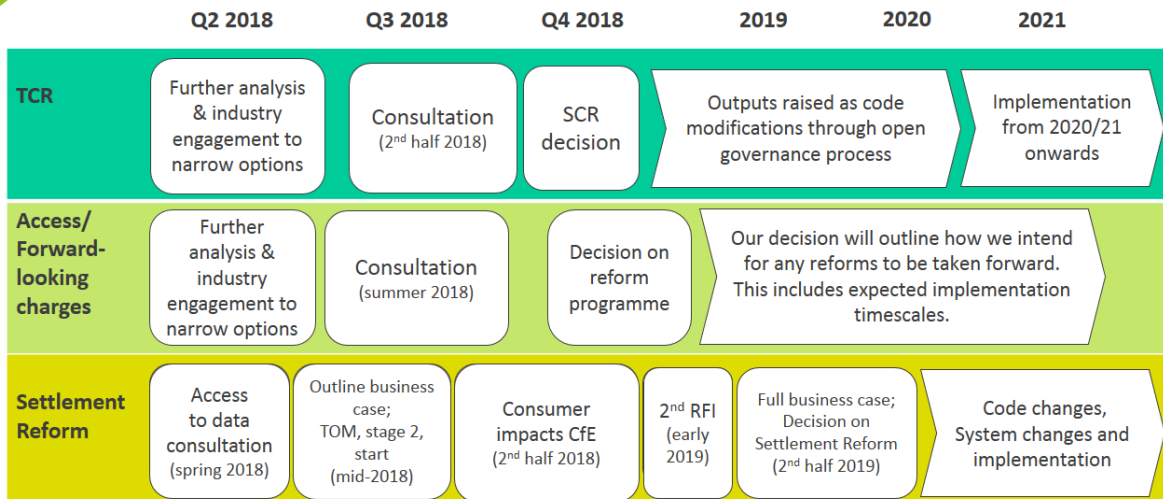
Ofgem's Frances Warburton, the Forum Chair, started the day with a consolidated timeline of work and a "What" and "When" of the main work happening and the approach being taken.

- The next big piece of work we anticipate is the summer consultation on **Access and Forward Looking charges**. This will bring together the work from the Task Forces, analysis by Baringa, as well as Ofgem's own analysis, to inform Ofgem's view.
- There will be continued analysis on the **Targeted Charging Review** (TCR) throughout the summer, and a consultation on Ofgem's minded-to decision in the second half of 2018.

- On **Settlement reform**, a consultation on access to data took place earlier this year. Currently, the outline business case and target operating model are being considered.

If modifications to the codes are required, they will go through the modification process, to be implemented from 2021 onwards.

Consolidated timelines



Targeted Charging Review (TCR)

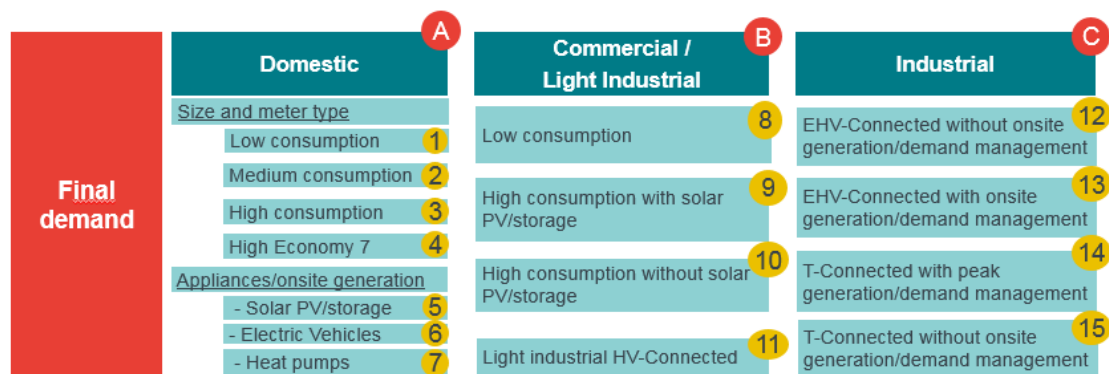
Andrew Self from Ofgem reminded attendees of the reasons for the Targeted Charging Review. He explained that the TCR looked at the residual component of allowed revenue. This is currently around half of the approximately £10 billion recovered by networks and the ESO each year and is recovered for transmission and distribution, and from both generation and demand.

Andrew talked through the principles (reducing harmful distortions, practical considerations, and fairness), what the outcome of the TCR could be, and the analysis required to assess it. Their **initial view** is that the residual should be recovered from **demand users** rather than generation.

Andrew shared the five key insights from the second stakeholder workshops which were held in April this year:

1. There is support for their proposed modelling approaches.
2. There is support for the user groups which they have defined, but there was a call for a broader range of these.
3. Stakeholders were looking for clearer links between the three work streams.
4. There was a call for further clarity on the TCR objectives.
5. There was feedback that the timelines are challenging.

Sam Street and Abbas Hussain from Frontier talked through their initial analysis in detail. Abbas introduced the 15 demand user groups they have developed spread across domestic, commercial and industrial categories.



In reality the boundaries between users may overlap. For example, small Commercial profiles will also be captured by our analysis of the larger domestic profiles

Sam then gave an overview of the four illustrative “vanilla” (i.e. plain) charging options, followed by an initial qualitative assessment of their distributional impacts, focussing on CDCM users:

1. **Fixed charge** – per user
2. **Gross charge** – based on a user’s volumetric consumption
3. **Ex ante charge** – based on a user’s agreed or connected capacity
4. **Ex poste charge** – based on individual peak system usage

This analysis is being developed further and will be used to develop the final policy options, which will be consulted on.

Settlement Reform Project

George Huang from Ofgem and Kevin Spencer from ELEXON presented an update on market-wide Settlement Reform and highlighted key linkages with the TCR and Access projects. The project is looking to use the settlement arrangements, enabled by the rollout of smart and advanced metering, to expose suppliers to the true cost of supply of their customers in any period of the day. This places incentives on suppliers to help their customers to shift their consumption to times when electricity is cheaper to generate or transport, by offering smart, time-of-use tariffs or other products and innovations. A substantial aggregate shift of consumption away from peak periods can deliver significant benefits through avoided network and generation investment, and making better use of existing infrastructure.

Ofgem intend to take a decision on if, when and how to move to market-wide settlement reform by the second half of 2019. Before then, the Settlement Reform project is developing a Target Operating Model (TOM) for the future settlement arrangements¹, assessing the case for market-wide settlement reform through a Business Case and taking forward wider policy development. One of the key upcoming publications will be the Outline Business Case in mid-2018, which will set out a high level economic assessment of the potential impact of market-wide settlement reform. This Outline Business Case will also examine the interaction between settlement reform and the TCR and access projects in more details.

More on this can be found on the [slides](#) from the day.

Electricity Network Access Project

Jon Parker from Ofgem gave an overview of the project, the work done to date and next steps.

In November 2017, Ofgem published a working paper on “Reform of electricity network access and forward looking charges”. This was covered in our [pre-listening podcast](#) for the Charging Futures Forum on 28 February. To get an overview of the proposed changes from the Access and Forward Looking Charges Task Forces, read the [summary note](#).

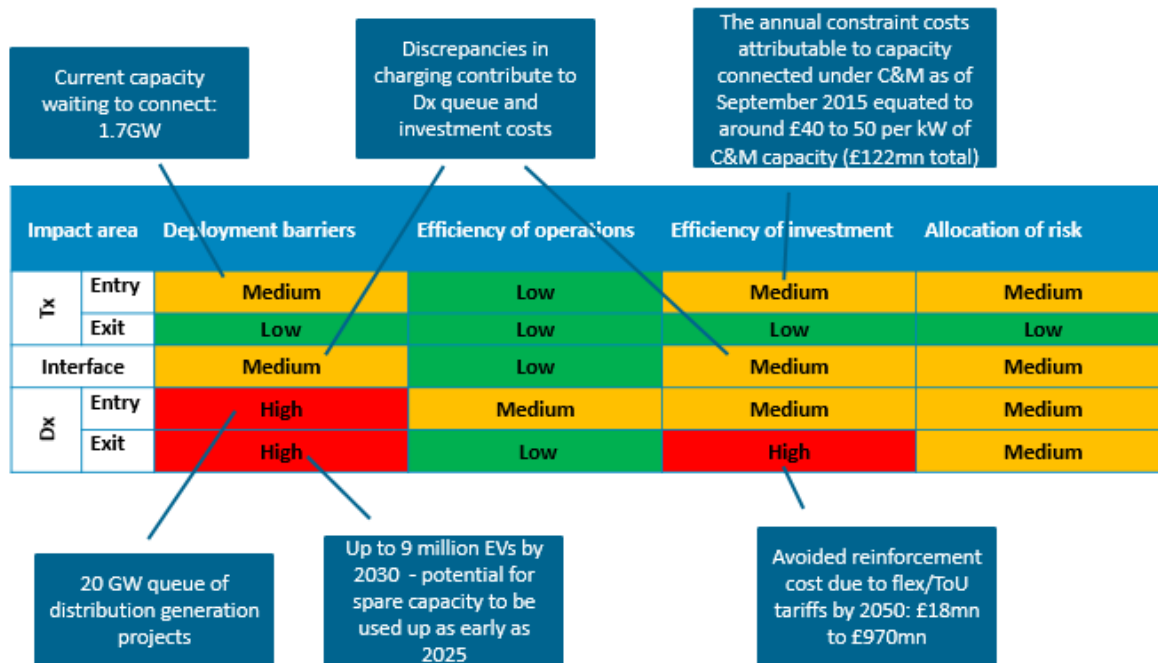
Since November 2017, two industry Task Forces have been working to help assess the options for change. They have recently published their [final report on Access and Forward Looking charges](#) – which we talked through in our recent [podcast](#). Three of the Task Force members provided the Forum with an overview of their conclusions on what changes should be taken forward for further consideration.

Baringa have been commissioned by Ofgem to analyse the materiality of the issues that exist with current access and forward looking charging arrangements. Expect to hear more on Baringa’s work as part of the forthcoming consultation.

Quick note: *The Task Force report and Baringa’s analysis are two separate pieces of work. The Baringa report assesses the materiality of issues with current arrangements. However, Baringa did receive input from the Task Forces on what the big issues were, as well as feedback on their assessment.*

¹ The TOM is being developed by a Design Working Group of industry experts, with all decisions on the TOM taken by Ofgem (supported by a Design Advisory Board). For more information, see: <https://www.elexon.co.uk/group/design-working-group/>

Nick Screen from Baringa talked through their analysis. He took us through the impacts of issues at transmission and distribution level as well as the interface between the two. Nick highlighted whether the issues identified had a high, medium or low materiality.



As a result of their analysis, Baringa identified three priority areas for reform.

3. Aligning access and charging between transmission and distribution, and across voltage level boundaries

Impact area		Deployment barriers	Efficiency of operations	Efficiency of investment	Allocation of risk
Tx	Entry	Medium	Low	Medium	Medium
	Exit	Low	Low	Low	Low
Interface		Medium	Low	Medium	Medium
Dx	Entry	High	Medium	Medium	Medium
	Exit	High	Low	High	Medium

2. Ensuring that access for distribution connected generation and storage is properly valued and signalled to users

1. Ensuring that access and charging arrangements for households are ready for the uptake of LCTs

The Task Force report, Baringa analysis work and Ofgem’s own analysis will inform how Ofgem will take this forward. They plan to publish a consultation in the summer.

Ofgem are keen to get everybody’s views on this consultation and what they are suggesting as the direction of travel. The next Charging Futures Forum will also cover Ofgem’s consultation and give you the opportunity to provide feedback to Ofgem.

Closing discussion

The day closed with breakout discussions on the overall programme of reforms, looking at key risks and opportunities, policy synergies, and potential timing and implementation issues – see the [compilation](#) of your comments.

Feedback and next steps

You said

Organisation/Venue

- Well organised event
- Excellent venue

Content covered

- Useful overview of programme
- Good to get updates on all three programmes
- TCR section informative

- Too much content / unclear messaging
- Too much detail / Not enough detail

Quality of content

- Expertise of presenters good
- Unengaging presentations

Facilitated session

- Liked using Menti to feedback
- Breakout sessions good

Next steps

Organisation/Venue

- We will continue to use our venue provider where possible

Content covered

- We will continue to produce content on TCR as well as the work on the Access and Forward Looking charges consultation over summer
- We recognise there was a lot to take in on the day. Going forward we will make use of other methods such as webinars to cover more detailed analysis/reports. We will use the Forum for more high level material and have less detail introduced by slides. We intend to produce more pre-read/listen information in advance of the next Forum to share detailed material.

Quality of content

- We will continue to make use of industry expertise and maximise the use of breakout sessions

Facilitated session

- Continue these

Next Forum and how to contact us

- > The next Forum is scheduled for late September.
- > You can continue to [register your interest](#) to go on the mailing list or attend future meetings.
- > National Grid Lead Secretariat, National Grid SO - chargingfutures@nationalgrid.com
- > Ofgem Chair – CFF@ofgem.gov.uk
- > For more information on:
 - > Targeted Charging Review - TCR@Ofgem.gov.uk
 - > Electricity Network Access Project - NetworkAccessReform@ofgem.gov.uk

Other resources

- › Visit www.chargingfutures.com for:
 - › [Educational webinars](#) on how network charging works today and may develop in the future.
 - › Pre-Forum and post-Forum podcast. Available from [iTunes](#) and [Soundcloud](#)
 - › Summary notes on [Targeted Charging Review](#), [Access & Forward Looking Charges](#), [Storage](#) and [BSUoS](#)