

Second Balancing Services Charges Task Force

Meeting 1

30 January 2019



Welcome and Introductions

Colm Murphy, National
Grid ESO



Agenda

Topics to be discussed	Lead
1. Welcome and Introductions 10:00-10:15	Colm Murphy
2. Scene Setting 10:15-11:00 <ul style="list-style-type: none">- Review of findings of first Task Force- Overview of second Task Force- Comms and engagement- Terms of Reference	Colm Murphy
3. Ofgem View of the Task Force 11:00-11:30	Kayt Button
4. Overview of Deliverables 11:30-12:30 <ul style="list-style-type: none">- Milestones/Timeline- Relevant Analysis- Suitability of Data	Jon Wisdom
5. Lunch Break 12:30-13:30	
6. Overview of current BSUoS change proposals 13:30-14:00	Jon Wisdom
7. Topic 1 – Who should pay BSUoS? 14:00-15:45 <ul style="list-style-type: none">- Principle Conversation- Analysis required to support	All
8. AOB and next steps 15:45-16:00	Colm Murphy

ESO Representation



**Colm Murphy – Taskforce
Chair**

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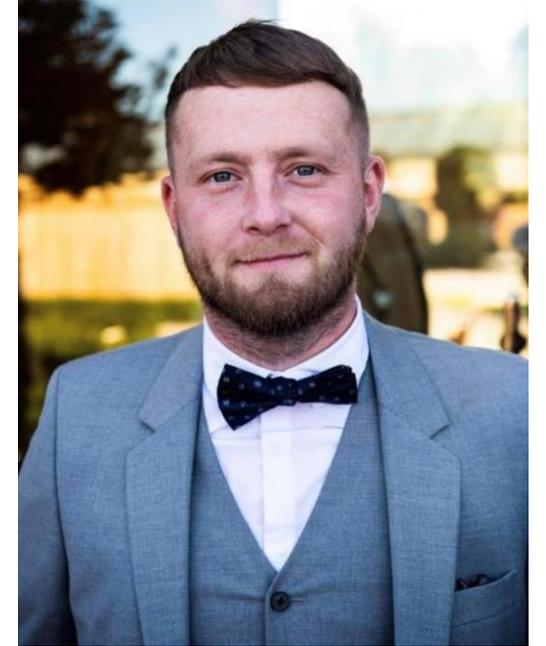
**Eleanor Horn– Taskforce
Secretariat**

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**Jon Wisdom– Taskforce
Member**

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**Joseph Henry –
Technical Secretary**

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Scene Setting

Colm Murphy, National
Grid ESO



First Balancing Services Charges Task Force

- The first Task Force took place between January and May 2019, convening 7 times
- The Task Force was chaired by the ESO, and comprised of 16 members from across the industry
- The workgroup approached the Task Force by tackling three key deliverables

1. Deliverable 1 - does BSUoS currently provide a useful forward-looking signal?
2. Deliverable 2 - potential options for charging BSUoS differently, to be cost-reflective and provide a forward-looking signal
3. Deliverable 3 - feasibility of charging potentially cost reflective elements of BSUoS to provide a forward-looking signal

Deliverables

Deliverable 1 - does BSUoS currently provide a useful forward-looking signal?

Task Force found that it does not currently provide any useful forward-looking signal which influences user behavior to improve the market

Why?

- *Charges are hard to forecast*
- *Charges are complex*
- *Charges are volatile*
- *Other market signals more material*
- *Charge applies to all transmission users equally*

Deliverable 2 - potential options for charging BSUoS differently, to be cost-reflective and provide a forward-looking signal

Options Considered

1. *Locational Transmission Constraints*
2. *Locational reactive and voltage constraints*
3. *Response and Reserve bands*
4. *Response and Reserve Utilisation*

Deliverable 3 - feasibility of charging potentially cost reflective elements of BSUoS to provide a forward-looking signal

Options Assessed against:

1. *Charging being cost reflective*
2. *Providing an effective signal*
3. *Practicality and proportionality*
4. *Other considerations; i.e consumer impacts*

Task Force Conclusion

“It is not feasible to charge any of the components of BSUoS in a more cost-reflective and forward looking manner that would effectively influence user behaviour that would help the system and/or lower costs to customers. Therefore, the costs included within BSUoS should all be treated on a cost-recovery basis”.

The Task Force submitted their conclusions to Ofgem in May 2019, following Industry consultation.

Industry were engaged by the use of various mediums, such as consultations, podcasts and webinars

Ofgem View of Task Force

Kayt Button, Ofgem

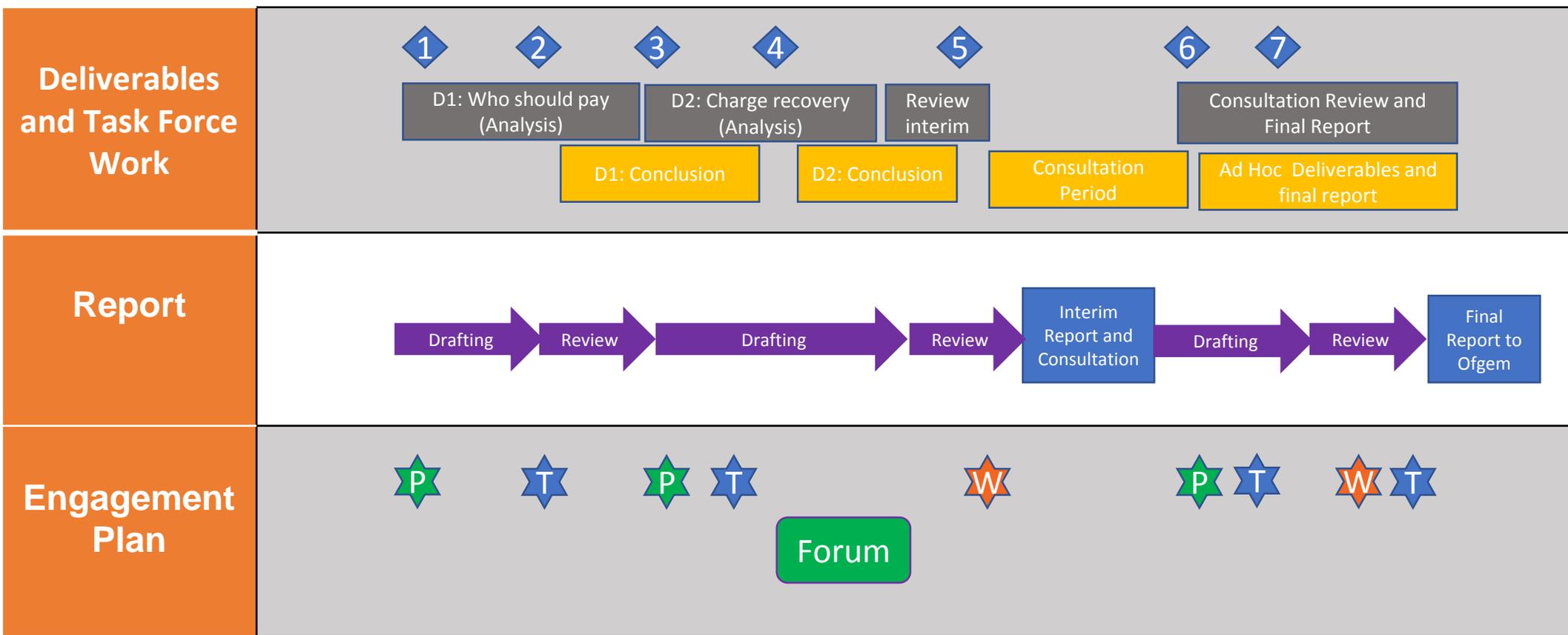


Overview of Deliverables

Jon Wisdom, National Grid ESO



Overview of Deliverables and Engagement Plan



Key	
P	Podcast
W	Webinar
Forum	Charging Futures Forum
T	TCMF

- The ESO will engage with Citizen’s Advice at the conclusion of each taskforce
- Engagement will be shared between taskforce members

Date	Event/Milestone	Purpose
30-Jan	TF Meeting 1	Deliverable 1 - Analysis
12-Feb	TF Meeting 2	Deliverable 1 – Analysis/Conclusion
25-Feb	TF Meeting 3	Deliverable 2 - Analysis
11-Mar	TF Meeting 4	Deliverable 2 – Analysis/Conclusion
01-Apr	TF Meeting 5	Interim Report
06-Apr	Webinar	Interim Report and Consultation
07-April	Consultation Opens (15 Working Days)	Industry feedback
30-Apr	Consultation Closes	-
05-May	TF Meeting 6	Review Consultation Responses
19-May	TF Meeting 7	Final Report
26-May	Review Final Report	WebEx to finalise
5-Jun	Report to Ofgem	-

Second Taskforce Deliverables

Deliverable 1 – Consideration and assessment based recommendation as to WHO should pay BSUoS Charges

This should be carried out using the aims and principles of the TCR, noting any potential differences between residual charges, which are subject to RIIO price controls, and balancing services charges, which are not.

Deliverable 2 - Investigation and recommendation for RECOVERING balancing services charges, including collection methodology and frequency.

This should also be carried out using the aims and principles of the TCR but also consider the implications for the RIIO-2 price control determinations. In particular, the design of BSUoS charges should take into account any additional costs and risk placed upon the ESO.

Each deliverable must be supported by robust analysis and data.

- **What do we need to consider to enable us to fully assess these deliverables?**
- **What data and analysis is important to support these conclusions?**

Lunch



Overview of Recent BSUoS Change Proposals

Jon Wisdom, National
Grid ESO



Recent BSUoS CUSC Modification Proposals

Concluded Proposals

- **CMP201 – Sought to remove BSUoS from Generators in GB**
 - Rejected by Ofgem following impact assessment
- **CMP202 – Removed BSUoS charges from interconnectors in line with Europe**
 - Approved by Ofgem as aligned with EU treatment of interconnectors
- **CMP250 – Stabilising BSUoS with a 12 month notice period**
 - Rejected by Ofgem as no clear grounds of benefit and may conflict with TCR
- **CMP296 – Remove BSUoS from Virtual Lead Parties**
 - Approved to avoid double charging

Open Proposals

- **CMP281 – Sought to remove BSUoS from Imports to Storage Sites**
 - With Ofgem for decision. Has interactions with TCR deliverables.
- **CMP307 – Expand BSUoS Charging base to include Embedded Generation**
 - Suspended due to interaction with Ofgem's TCR proposals. Expected to be withdrawn.
- **CMP308 – Remove BSUoS Charges from Generators**
 - In working group. Solution as currently devised conflicts with the TCR intent of partial reform (Gross charging)
- **CMP333 – Charge Supplier Users on Gross Demand (TCR)**
 - In working group. Some alternatives may be progressed to bring in principles of CMP308

Relevance to Taskforce

What elements from these changes should we take forward when considering the taskforce deliverables?

- Is there analysis within these reports that we need to repeat or adjust for the taskforce?
- Other than the modification reports/decisions and Ofgem's TCR documentation are there other relevant publications materials that the taskforce should take into account?

Topic 1 – Who should pay BSUoS?



Who should pay Balancing Services charges?

First Task Force Conclusion

- “It is not feasible to charge any of the components of BSUoS in a more cost-reflective and forward looking manner that would effectively influence user behaviour that would help the system and/or lower costs to customers. Therefore, the costs included within BSUoS should all be treated on a cost-recovery basis.”

Targeted Charging Review Principles

- Reduce harmful distortions
- Practicality and Proportionality, and;
- Fairness

Who should pay Balancing Services charges?

User Type	Pay BSUoS Currently	Should this User type pay BSUoS charges? Why?	Does this approach reduce harmful distortions?	Is it practical and proportionate?	Is it Fair?
Suppliers	Yes				
Tx Generators	Yes				
Dx Generators	No + Receive EB				

- What analysis should be carried out to support the above rationale?

AOB and Next Steps

Colm Murphy, National Grid ESO

