



Balancing Services Charges Task Force

Draft Terms of Reference for Balancing Services Charges Task Force

Please note that these are **draft Terms of Reference (ToR)** and that they are subject to change.

1. Introduction

The Electricity System Operator (ESO) recovers the cost of operating the system through Balancing Services Use of System Charges (BSUoS). It has become apparent through engagement with Ofgem and other industry parties that the current charging methodology may;

- Not allocate costs to those that cause them
- Create significant volatility for market participants, and,
- Not assist the operation of the system.

Ofgem has asked the ESO to establish and lead a Task Force (TF) to assess these issues considering whether there is value in improving cost-reflective signals through BSUoS or whether BSUoS should be treated as a cost recovery charge.

The TF's work will be informed by preliminary analysis conducted by the ESO in 2018 and further investigation done by all taskforce members during the TF process. The aim of the TF will be to produce a report satisfying the criteria identified within paragraph 2. It is expected that this report will lead to changes, through the usual code modification processes, that will create a sustainable methodology for the recovery of the costs of operating the system.

2. Scope

- a) In accordance with the timetable identified in paragraph 8, the Balancing Services Charges TF will:
 - i. Assess the extent to which elements of BSUoS **currently** provide a forward-looking signal that influences the behaviour of system users.
 - ii. Assess whether or not existing elements of the BSUoS charge have the **potential** to be made more cost-reflective and hence provide better forward-looking signals.
 - iii. Based on the assessment at ii., assess the **feasibility** of charging any identified potentially cost-reflective elements of balancing services charges on a forward-looking basis. It should also consequently identify the extent to which the different elements of balancing services charges should be considered cost-recovery charges.
 - iv. The analysis should include a reasonable qualitative and, to the extent possible, quantitative assessment.
 - v. Agree a set of conclusions.

- b) The Balancing Services Charges TF will use reasonable endeavours not to duplicate the work of workgroups under the code modification development process. Where there is potential for overlap, the Secretariat will ensure that the TF is updated.

3. Chair

The TF will be chaired by the ESO. The TF Chair may nominate a deputy to chair the meeting in their absence.

The Chair will provide leadership to the TF and will be responsible for ensuring that each meeting is conducted in accordance with the ToR and in an orderly efficient manner. The Chair will ensure that all TF Members are able to contribute their views to the TF. The Chair will coordinate with the Secretariat to ensure that appropriate policies and procedures are in place for the effective management of the TF.

The Chair will ensure that regular updates are provided to Ofgem, the Charging Futures Forum and the CDB on the progress and preliminary conclusions of the TF.

4. Membership

TF members

Membership will be drawn from members of the Charging Futures distribution list. The TF should include Members that are representative of a range of industry viewpoints.

If a TF Member is unable to attend a meeting, the TF Member will be able to nominate an alternate to attend the meeting on their behalf.

Ofgem will provide at least one member to the TF.

TF Members will:

- a) have relevant expertise and experience in the current charging methodologies and frameworks of BSUoS charges;
- b) be committed to making improvements to delivering benefits to consumers through more efficient charging arrangements;
- c) be available to attend all meetings (or send an appropriate alternate representative);
- d) be able to work collaboratively with other industry participants that may have different views and seek to find consensus, where possible;
- e) actively contribute towards the work of the TF outside of TF meetings. This will include being responsible for completing tasks (eg undertaking analysis) that have been allocated to a Member by the TF and reporting back to TF; and
- f) be expected to contribute towards the milestones outlined in paragraph 8. For example, collectively TF Members will be expected to draft the final report outlining the conclusions of the TF.

Depending on the level of interest, the ESO may limit the number of TF Members from each representative group to facilitate productive meetings and in-depth discussion. In this situation, the Secretariat will firstly ask the relevant parties to agree a nominated representative. If the parties are unable to agree a nominated representative, then the ESO shall decide the nominated representative.

5. Secretariat

The Secretariat role will be undertaken by the ESO.

The Secretariat will:

- a) Provide secretariat services to the TF and the Chair:
 - i. Organise meetings, including booking venues, in consultation with the Chair and Ofgem.
 - ii. Send out meeting invitations.
 - iii. Prepare agendas, minutes and collate other papers.
 - iv. Circulate meeting agendas and supporting documents/papers five working days prior to each meeting according to the timeline in the TF ToR.
 - v. Circulate minutes to TF Members after each meeting.
 - vi. Add all agreed meeting documents to the TF section of the Charging Futures website.
 - vii. Maintain membership lists of TF meetings and handle membership applications.
 - viii. Maintain a list of TF actions and send reminders to TF Members to complete their actions.
 - ix. Produce and update a detailed project plan to allow the TF to deliver its outputs in accordance with the timetable outlined in paragraph 8.
- b) Manage stakeholder engagement for the TF arrangements:
 - i. Act as first point of contact for stakeholders who wish to contact the TF.
 - ii. Create and maintain a distribution list of TF Members.
- c) Maintain the TF section of the Charging Futures website. The TF section of the Charging Futures website will provide stakeholders with information including:
 - i. Upcoming meeting dates of the TF.
 - ii. Membership of the TF.
 - iii. Papers and other documents for TF meetings.
 - iv. Contact routes for stakeholders wishing to communicate with the TF.
- d) Collate and publish the final TF report on behalf of the TF.

6. Reporting and output

The TF will provide regular reports and updates to the Charging Futures Forum on its work and progress. The TF will also be required to keep wider industry updated on its work through the regular publication of all agreed TF documentation. (Documents that a party asks not be circulated or documents that are only available in draft form do not need to be published.)

The TF will be required to provide a report to the Charging Futures Forum, the CDB and Ofgem. The report will provide the outputs identified in paragraph 8, in the timescales outlined.

7. Meetings

The first meeting of this TF will be held late January 2019 following the Charging Futures Forum. The TF meetings will be face-to-face; however, the TF can decide to meet via alternative methods (eg teleconference).

Meetings of this TF will be held on a regular basis, monthly in the first instance. Meeting frequency will be reviewed on a regular basis, as decided by the Chair, in consultation with the TF members, as appropriate.

8. Timetable

The TF reports to the Charging Futures Forum, CDB, and Ofgem and should be completed in accordance with the following timetable:

Deliverable	Date
<p>TF document assessing the extent to which elements of BSUoS currently provide a forward-looking signal that influences the behaviour of system users.</p> <p>This should build on the ESO's internal analysis of different elements on BSUoS which the ESO will present at the January meeting of the Charging Futures Forum (with slides also published on the Charging Futures website).</p>	February 2019
<p>TF document assessing the potential for existing elements of BSUoS to be charged more cost-reflectively and hence provide better forward-looking signals.</p> <p>The analysis should explore each of the existing components of BSUoS and to what extent they have the potential to influence the behaviour of different parties.</p>	March 2019
<p>TF document assessing the feasibility of charging any identified potentially cost-reflective elements of BSUoS on a forward-looking basis.</p> <p>Based on the candidate elements of BSUoS from the previous stage, assess the feasibility of charging these elements on a forward-looking basis to influence user behaviour. This could include consideration of whether constraint signals are more effectively sent through balancing services charges or transmission use of system charges.</p> <p>It should consequently identify the extent to which the different elements of balancing services charges should be considered cost-recovery charges and therefore have potential for the Targeted Charging Review approach for cost-recovery charges to be applied.</p>	<p>Draft by April 2019</p> <p>Final by May 2019</p>

Following the production of the report in May 2019 it is expected that the TF will close. This may be revisited subject to the outcome of Ofgem's decision on next steps.

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