



Forum

Second Balancing Services Task Force – Consultation Webinar and Q&A

11 August 2020



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Which category best describes your organisation?



➤ Scope of Work

- > The taskforce was asked by Ofgem to answer 2 questions –
 1. Who should be liable for balancing services charges?
 2. How should these charges be recovered?
- > Noting: The TCR principles and any additional risks on the ESO (following the new RIIO-2 framework)
- > As with TCR, suppliers are considered to act as proxy for consumers' interests

➤ What have the Task Force found?

- > On the 22 July 2020, the Second Balancing Services Charges Task Force published their interim report and consultation.
- > **On Deliverable 1**, the Task Force have initially concluded that “Final Demand” should pay all Balancing Services charges, subject to sufficient notice to industry prior to implementation.
- > **On Deliverable 2**, The Task Force recommends that Balancing Services Charges should be recovered through a charge which is fixed ex ante. The Task Force are yet to recommend whether the charge should be volumetric (£/MWh) or per site (£/site).

➤ Second taskforce: Deliverable 1

Who should be liable for balancing services charges?

- > Whilst TCR clearly states that residual network charges should be charged on final demand only, Ofgem advised Task Force to maintain an open mind regarding BSUoS
- > The majority of the taskforce currently support moving BSUoS to final demand only:
 - > Transaction costs & efficiency of cost recovery
 - > Removal of distortions between types of GB generators and GB/interconnected generators
 - > If levied onto distributed generation, has potential to hinder decarbonisation
- > Need to consider effect suppliers' liabilities and market impacts, especially small suppliers.

➤ Second taskforce: Deliverable 2

How should the charges be recovered?

- > Charges should be recovered Ex-Ante, reducing uncertainty and minimising financing costs
- > Currently differing views within the taskforce on charge design –
 - > Fixed charge as per TCR: Relatively simple and exposes demand with on-site generation to the full BSUoS charge
 - > Volumetric charge (p/kWh): Simple to administer, reflects BSUoS as the costs of flowing electricity, not of assets
- > If charges are fixed for a period of time, gives greater certainty to market participants but potentially exposes ESO to risk

➤ Implementation

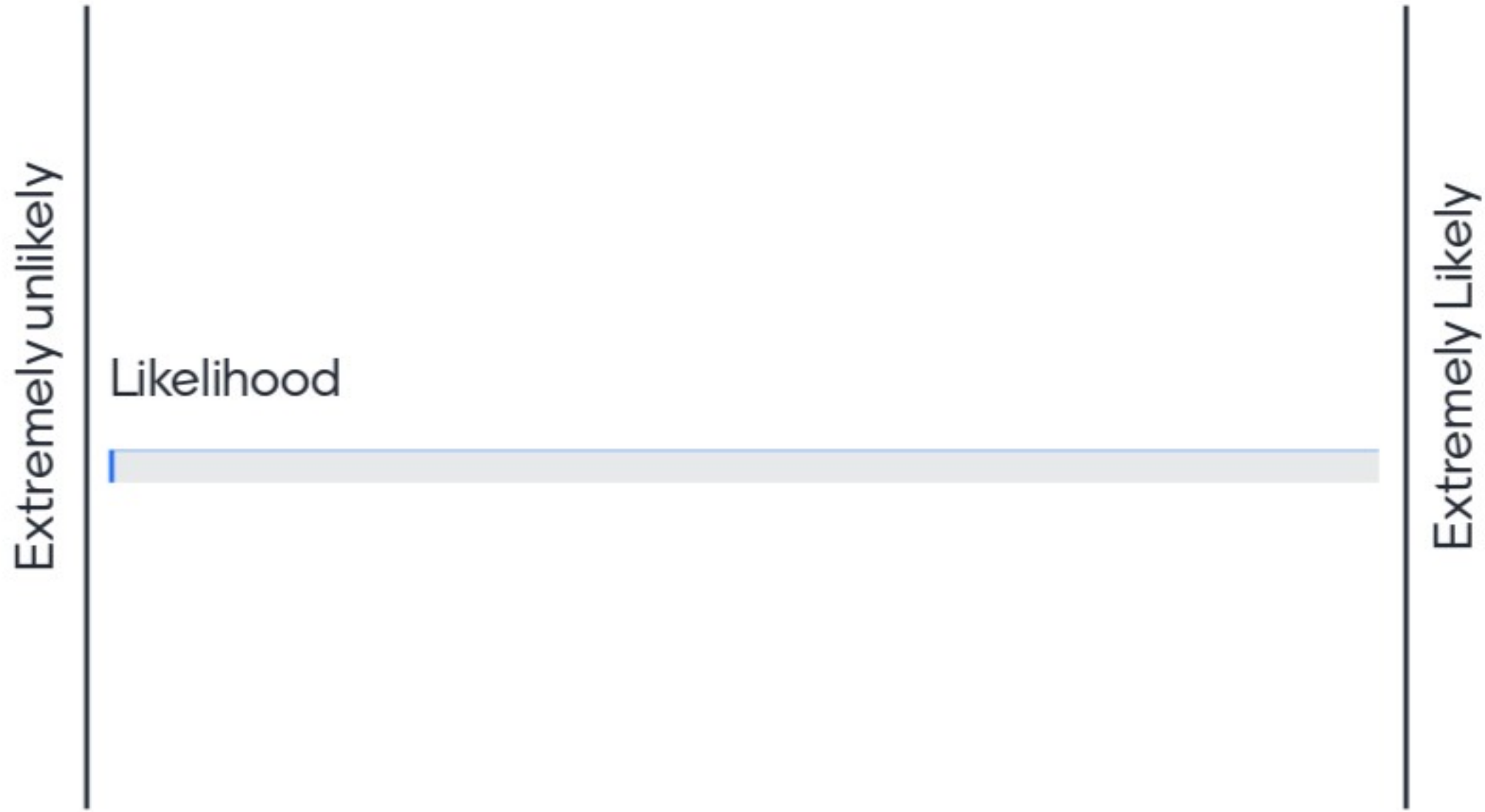
- Getting the implementation approach right is crucial in avoiding windfall gains or losses and market disturbance.
- The Task Force agreed that 2 years' notice from the point of Ofgem's response to the Task Force would avoid the vast majority of windfall gains and losses as most industry contracts that included a fixed BSUoS price would expire during this period.
- Delaying implementation would allow continued distortions between GB and European generators and GB Transmission and Distributed generators to persist and so more than 2 years' notice would be detrimental.



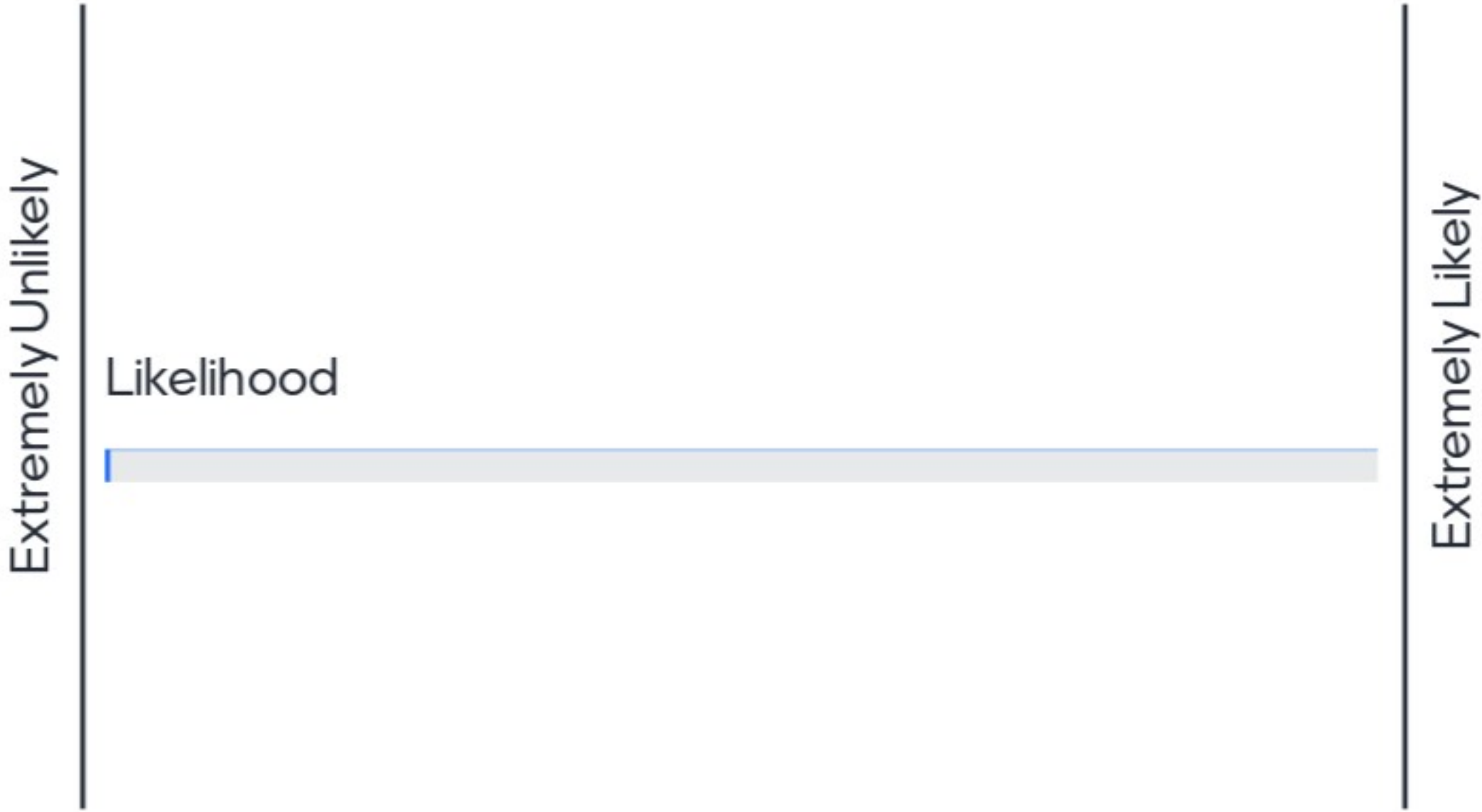
Q&A

- > Jon Wisdom – Task Force Member, ESO
- > Tom Edwards – Task Force Member, Cornwall Insight

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On a scale of 1-10, how likely are you to recommend the secretariat of this event?



Ask us anything about the Second Task Force

0 questions

0 upvotes