

Second Balancing Services Charges Task Force

Meeting 8

9 September 2020



Welcome and Introductions

Colm Murphy, National Grid ESO



Apologies

Caroline Bragg
Jon Tindall

Agenda



Agenda

	Topics to be discussed	Lead
1.	Welcome, Introductions, Recap 10:00-10:15	Colm Murphy
2.	Elexon Q&A (RCRC and P375) 10:15-10:45	Elexon
3.	Worked up examples 10:45-11:15	ESO/GM
4.	Consultation Responses – Methodologies and Other comments 11:15-12:30	ESO
5.	Lunch 12:30-13:15	-
6.	Final Report Discussion 13:15-14:30 (Break to be included)	ESO
7.	Next Steps and AOB	Colm Murphy

Actions Log



Actions Log

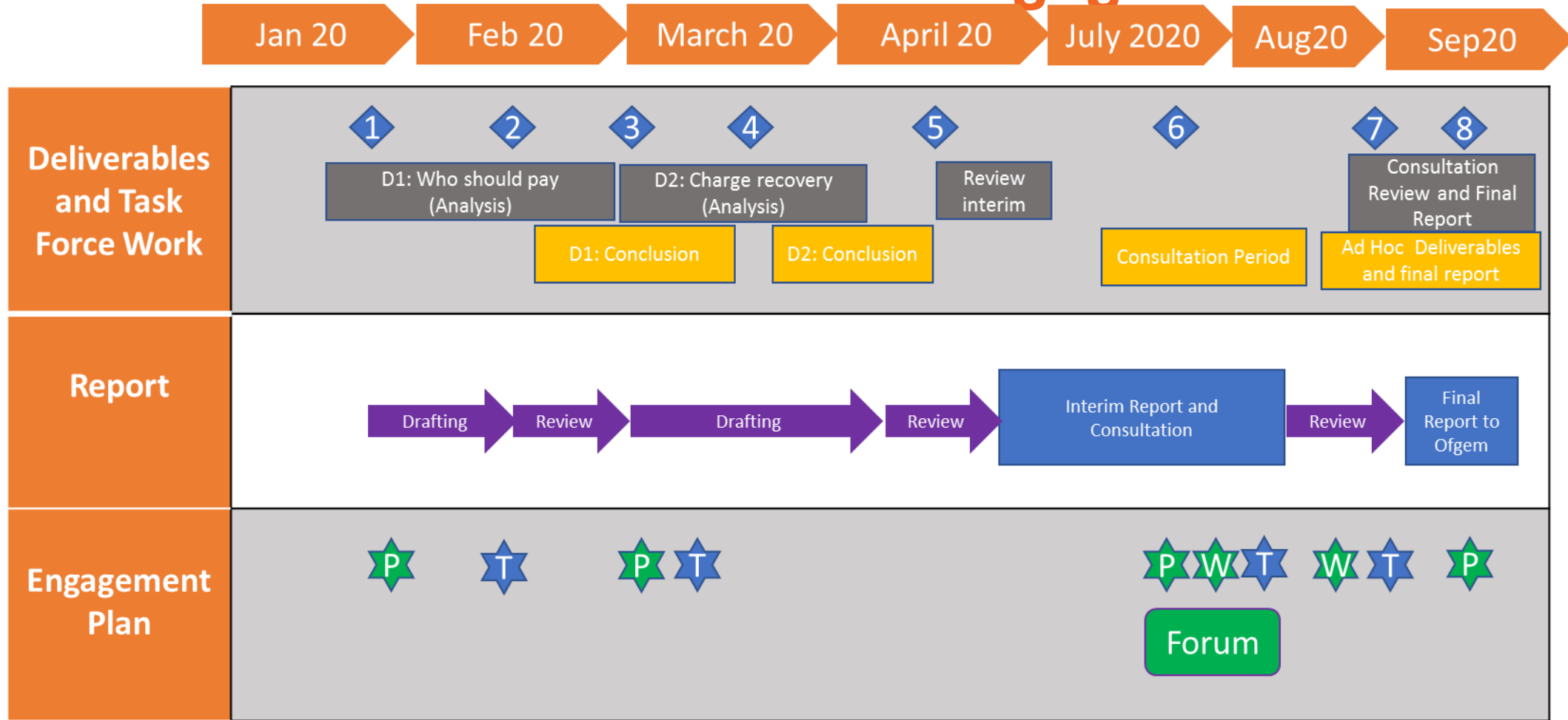
Action Number	Action	Status
26	JH to organise Elexon attendance at next meeting	Open – to be closed
27	ESO to work up Banded Examples	Open – to be closed

Engagement Plan

Jon Wisdom, National
Grid ESO



Overview of Deliverables and Engagement Plan



Key	
P	Podcast
W	Webinar
CFF	Charging Futures Forum
T	TCMF

- Final meeting to be held 17/09/2020 – Potential session on 23/09/2020 if needed to review and finalise report
- Final Report due 30 September 2020

Timelines – Meeting and Milestone dates

Date	Event/Milestone	Purpose
17-September	TF Meeting 9	Final Report
23-September	Review Final Report	Finalise report
30-September	Report to Ofgem	-

Elexon Q&A – RCRC and P375

Worked Up Examples

Eleanor Horn/Grace
March



Consultation Responses – Methodology Suggestions and Other Comments

Joseph Henry



Q6 – Summary of Inputs

The Task Force noted limitations of the approaches covered in Q5, what other methodologies or improvements to the ones in Q5 could you recommend to tackle them? Please consider your answer against the TCR principles and state your reasoning and evidence to support your answer.

Key Themes can be broken down into 5 areas

- i) Approach to Banding**
- ii) BSUoS and impacting behaviours (Signals)**
- iii) Impacts on Ells/Grid Defection**
- iv) Behind the meter generation**
- v) Other**

Q6 – Comments on Banding

Respondent	Issue Raised
Energy UK	5 year banding has caused concern for members – would like TF to investigate capacity based options
Sembcorp	Banding Characteristics could be used such as consumer type (domestic, SME, factory, office, retail) which may better reflect the makeup of the charging base.
Centrica	Do not support banding, options should be limited to either a £/MWh or the TDR banded approach.
SSE	Banding done at holistic level taking into account TNUoS and DUoS arrangements
Shell	Fixed bands, 5 years is too long
RWE Innogy	BSUoS charges should be based on the proposal for the transmission distribution residual and banded on a £/site/day basis

Q6 – BSUoS and Behaviours

Respondent	Issue Raised
Good Energy	Consideration should be given to using BSUoS to drive the right behaviours for the grid.

Q6 – Grid Defection/Hybrid Approaches

Respondent	Issue Raised
Mineral Products Association, Breedon	Hybrid Approach to EHV's if banding recommended
Noriker	Benefits to a hybrid Volumetric/Banding Approach but volumetric preferable
UK Steel	EII competitiveness needs to be taken into account

Q6 – Behind Meter Generation

Respondent	Issue Raised
Uniper	Behind Meter Generation concerns, no embedded benefit to be created

Q6 – Other

Respondent	Issue Raised
ESO	Sliding Scale Volumetric
Smartest	Simple recovery mechanism

Q11 – Other Comments

Is there anything further you think the Task Force needs to consider?

13 responses provided further comment

Q11 – Summary Table

Mineral Products Association	EII concerns
EUIG	EII and summer demand
ESO	Financing Risk to ESO
Good Energy	Decarbonisation
Energy UK	Ofgem to carry out analysis
Engie	Evidence provided to Ofgem
Uniper	CMP201 analysis to be revisited
Breedon	Impact on EII's
ESB	Agree with analysis
National Grid Ventures	Report misleading on interconnector flows
Shell	Qualitative analysis needed
UK Steel	Net zero considerations
RWE Innogy	BSUoS should be recovered Ex Ante

Final Report

Eleanor Horn



Weighting the Pros and Cons for Deliverable 2

Fixed Volumetric for BSUoS

TDR Bands for BSUoS

LESS IMPORTANT

HIGH IMPORTANCE

Positives

Flat volumetric charge would reduce harmful Time of Day distortion

No Behavioural Signalling

Frameworks exist for easy implementation

Harder to Avoid than a volumetric charge, so Reduces Inefficient Avoidance Action

Energy Services should be billed in relation to Energy Volume

Benefit from a Stable System whether small or large user

Simpler than the Banding approach

Frameworks Exist for Easy Implementation contingent on Final Demand only paying

Low distributional impact as maintains status quo relating to MWh

Reduces Incentives for Partial Grid Defection

Reduced Behavioural Signalling

Negatives

Grid Defection Impacts All Remaining Users

An Untested Methodology could have Unintended Consequences

Risk of Overloading Industry Parties

Impact on those in fuel poverty

May require a Disputes process (like the TCP)

Changes in risk within price control, outcome of a rebanding uncertain

Large distributional impact across end consumers

Charging Bands can create distortions

Some Users find easier to avoid than others

Encourages potentially out of merit BtM

gridESO

Close and AOB

