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Re: Second Balancing Services Charges Task Force interim report consultation

Dear Balancing Services Charges Task Force,

I am writing on behalf of the RenewableUK, which is the representative body for the future energy system – one that is powered by clean electricity. We support over 400 member companies to ensure increasing amounts of renewable electricity are deployed across the UK and to access export markets all over the world.

RenewableUK welcomes the consultation on the Second Balancing Services Charges Task Force interim report which aims to propose an enduring solution to concerns on how Balancing Use of System (BSUoS) costs are recovered across market participants.

RenewableUK supports the conclusion of the Task Force that final demand should pay all BSUoS charges, subject to sufficient notice prior to implementation as well as that BSUoS should be levied as a fixed ex-ante cost. We consider this conclusion to be in line with the stated principles of the Targeted Charging Review (TCR).

We note the considerations expressed in the Task Force report on the impacts to generation from charging BSUoS on final demand. Particularly that whilst the recommendations remove the distortions faced by different GB generators compared with EU generators and interconnectors, it would lead to a worse business case for distributed generation.

We also support the rational as set out in the report with regards to volumetric £/MWh method as being the fairest and most practical approach and thus better aligned with the TCR principles. BSUoS reflects the operation of balancing markets and ancillary services rather than the installed capacity of the physical assets and as such should be based on energy use. Additionally, the recent BSUoS changes as a result of CMP345/350 highlight the need for a much more predictable and stable enduring solution to BSUoS cost recovery to be implemented in order to reduce the risk of balancing cost volatility. It is an outstanding problem of undue distortion and volatility that should not be allowed to continue unduly.

It is to the benefit of all market participants that sufficient lead time is allowed prior to implementation of a fixed BSUoS charge as per the Task Force recommendations. The suggested 2-year implementation period from Ofgem's final decision would give a reasonable notice to carry out the necessary process changes to systems. A final decision on the Task Force recommendations should not be delayed beyond the end of the year to mitigate for the delay experienced to date due to COVID-19. The final decision on the report should also

consider Contract for Difference timelines in order to minimise further investor uncertainty.

Yours Sincerely

Yonna Vitanova

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