



Please use this Pro-Forma when responding to the Interim Report and Consultation of the second Balancing Services Charges Task Force.

The Taskforce will take all responses into its consideration when producing the final report. When providing a response please supply a rationale, particularly in respect of any specific questions detailed below.

Please send your responses to [chargingfutures@nationalgrideso.com](mailto:chargingfutures@nationalgrideso.com) by 5pm on **26 August 2020**. Please note that any responses received after the deadline or sent to a different email address may not be taken into account by the Taskforce.

If you have any queries on the content of this consultation, please contact us at [chargingfutures@nationalgrid.com](mailto:chargingfutures@nationalgrid.com).

Question	Response
1. Do you agree with the Task Force's recommendations on who should pay Balancing Services Charges (Deliverable 1)? Please state your reasoning and evidence behind your answer.	Yes, we agree with the recommendation that Balancing Services Charges should be paid by final demand only. This will reduce distortions between generators and bring GB closer into line with neighbouring countries where generation pays a smaller amount for balancing services.
2. The Task Force have discussed how the recommendation on Deliverable 1) for Final Demand only to pay Balancing Services Charges could impact on large energy	Changes to BSUoS charging are too small in isolation to affect grid defection, but cumulatively with other reforms could potentially do so. Given the high costs to the consumer of complete grid defection (eg leaving the UK), we

<p>users and the potential for 'grid defection'. Do you think 'grid defection' is a possibility and to what extent would the Task Force's recommendations impact on your answer?</p>	<p>think the risks are low. (Partial grid defection is more likely but only if a volumetric charging option is adopted.) We agree that Ofgem should consider these risks, but in our view they are outweighed by the benefits of the changes.</p>
<p>3. Do you agree with the Task Force's recommendations that an ex ante fixed charge would deliver overall industry benefits? Please state your reasoning and evidence behind your answer.</p>	<p>Yes, we agree that an ex ante fixed charge would deliver overall industry benefits. BSUoS is like a residual charge and does not send an effective price signal. A fixed ex ante charge will be easier for suppliers to manage and may reduce 'risk premia' charged to consumers.</p>
<p>4. How long do you think the fixed period should be and what in your opinion is the optimal notice period in advance of the fixed charge coming into effect? Please state your reasoning and evidence behind your answer.</p>	<p><b>Duration:</b> Of the two options proposed for the duration of the fixed term, 6 and 12 months, we would prefer 12 months. This would align with DUoS and TNUoS, and provide greater certainty to suppliers.</p> <p><b>Notice period:</b> In the non-domestic market suppliers routinely enter into fixed price contracts with term of two or three years. We therefore think charges should be notified 15 months in advance, supplemented by a regular 5-year forecast (published at least twice a year).</p> <p>The fixed period and notice period should as a minimum be compatible with the timescales for Ofgem's price cap setting process (see response to Question 9).</p> <p>As noted in response to Q8 below, if a transitional approach is adopted in which generation continues to pay</p>

	50% for a period, we think it would be simplest to retain the £/MWh basis for generation but move demand to £/site/day.
5. Which approach discussed by the Task Force (TDR banded £/site/day or volumetric £/MWh) do you feel is most appropriate for Balancing Services Charges? Please consider your answer against the TCR principles and state your reasoning and evidence to support your answer.	<p>If BSUoS charges are to be paid by final demand only, we believe that a banded £/site/day approach is preferable to a volumetric approach. A volumetric approach has the significant disadvantage that it incentivises behind the meter generation ('partial grid defection').</p> <p>If a banded £/site/day approach is adopted, the banding should be as similar as possible to TDR to minimise administrative costs.</p>
6. 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.	We have no comments at this stage.
7. Is 2years' notice of the changes prior to an implementation date appropriate? Please state your reasoning and evidence behind your answer.	<p>We think the notice period should be at least 2 years and preferably 3, in order to give suppliers sufficient time to adjust the pricing of their fixed term contracts, which are typically of one, two or three years' duration.</p> <p>It is also very important that any decision on whether recommendations are progressed or not will be aligned with CfD Allocation Round 4 (AR4) timelines.</p>

	This will avoid any uncertainty over future BSUoS charging, at the time developers are pulling together their bids and business models.
8. Should the Task Force consider any interim measures? Please provide details of any suggested interim solution including how it may deliver benefits to consumers or help to mitigate specific challenges facing market participants, whilst limiting any windfall gains or losses between industry participants.	<p>We would suggest an interim arrangement in which NG ESO sets fixed charges in advance, with generators charged on a £/MWh basis (so as not to disadvantage low load factor renewables) and demand charged on a £/site/day basis (for reasons given above).</p> <p>This will provide greater certainty to the parties in the interim, up to 2023, when charging can be moved to 100% on demand.</p>
9. Do you feel that there any interactions with the Supplier Price Cap that need to be considered? Please state your reasoning and evidence behind your answer.	Balancing charges will form part of 'policy and network costs' allowance in the Price Cap. Any notice period/fixed period for balancing charges will need to be aligned with Price Cap periods (April to September and October to March) and the dates by which Ofgem must announce the level of the cap (5 <sup>th</sup> working day in February and 5 <sup>th</sup> working day in August).
10. The Task Force's initial recommendation is that Final Demand only will pay BSUoS. If this is the case, is the current RCRC mechanism is still appropriate? Please state your reasoning and evidence behind your answer.	.
11. Is there anything further you think the Task Force needs to consider?	

12. Please use this box to add any further comments that you may have	
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