

Headline Report – Meeting 5 – Second Balancing Services Task Force

Second Balancing Services Task Force

The Headline Report is produced after every Task Force meeting and aims to provide an overview of the key decisions made. A more comprehensive meeting summary will be published separately.

Meeting Focus

The purpose of the meeting is to consider further analysis undertaken in meeting four, and review a draft version of the report, in order to ascertain what work will need to be undertaken to produce and consult on the interim report. The timelines of the Task Force will also be revised to finalise submission dates for the final report.

Task Force Engagement, Report and Timelines

- The Task Force discussed the timelines for delivery of the final report. There was a consensus within the Task Force that due to the current Covid-19 situation, a longer consultation period (25 working days) would be beneficial to industry, giving participants more time to respond. The Task Force decided to ask the Ofgem representative to consider extending the delivery deadline to the end of July. The Task Force are aiming to open the consultation on 23 April 2020, with a webinar shortly before to update on their progress.
- The TF reviewed an interim version of the report. In the coming days, the ESO will distribute a draft version of the report to Task Force members ahead of a final review on 16 April 2020.

Demand vs Banding and distributional effects

- During discussions on the workgroup report content, the Task Force discussed methods of charging BSUoS against the TCR principles of Reducing Harmful Distortions, Fairness, and Practicality and Proportionality. Some TF members highlighted that making BSUoS unavoidable (i.e Banding) could have potential distributional impacts, such as encouraging avoidance grid defection. However, it was also noted that making BSUoS unavoidable would ensure consistency with the direction of travel of other use of system charges, ensuring that the charge is recovered from a wider charging base. It was also noted that on balance it is easier to avoid an energy charge with behind meter generation than complete grid isolation.
- In regards to other use of system charges using banding, the members also considered whether the same principles would be applicable to BSUoS, insofar as under distribution and transmission charges, the user would still have the optionality to use the network, whereas this would not necessarily be the same for BSUoS. However it was noted that the systems will need balancing actions regardless of individual usage, as a counter argument to this point.
- It was noted by the Task Force that that a volumetric charge is more easily implemented, but there is a framework for banding as a result of the TCR, and has been distinguished as fair by Ofgem.

Workgroup Analysis

- The TF discussed further the analysis undertaken on BSUoS and Supplier fixing/risk premia TF members held a meeting since TF4 around where analysis should be expanded. The proposer of the analysis highlighted that he planned to create a model which would allow market participants to input their own modelling and assumptions, with ESO being able to put in their own forecasting information. This analysis will be completed ahead of the next Task Force meeting and be included in the report.

BSUoS and EU Regulation 838/2010

- The TF were made aware that during the course of CUSC Modifications CMP317/327, it was suggested that the exclusion of costs from average annual charges for generators (as per EU regulation 838/2010) should not exclude all BSUoS costs following the update to the definition of ancillary services in the 2019 regulation (2019/944).
- The TF agreed that it was not clear that this definition replaced the one in the 2009 regulation but it may be additional evidence to support the option chosen.

Any Questions?

- Please contact chargingfutures@nationalgrideso.com