

# Balancing Services Charges Task Force Terms of Reference (DRAFT)

10<sup>th</sup> December 2019

# Terms of Reference (ToR) for the Second Balancing Services Charges Task Force (TF)

## 1. Introduction

The Electricity System Operator (ESO) recovers the cost of operating the transmission system through Balancing Services Use of System (BSUoS) Charges. Following the conclusions of the [first BSUoS TF](#) (i.e. that BSUoS should be treated on a cost recovery basis) and the publication of [Ofgem's Targeted Charging Review \(TCR\)](#) decision on the recovery of residual charges for transmission and distribution, it is now right to consider how to most appropriately recover BSUoS charges under the TCR principles and from whom. Notwithstanding Ofgem's TCR decision to charge BSUoS to suppliers on a gross demand basis the TF should consider:

- Who should pay BSUoS charges;
- How BSUoS charges should be recovered, and;
- How to best apply the TCR principles of
  - Reducing harmful distortions
  - Practicality and Proportionality, and;
  - Fairness

The aim of the TF will be to produce a report satisfying the criteria identified within Paragraph 2. It is expected that this report will lead to changes that will create a sustainable methodology for the recovery of balancing services charges.

## 2. Scope

- a) In accordance with the timetable identified in Paragraph 8, through the leadership of the TF Chair and being mindful of the [TF launch statement](#), the Balancing Services Charges TF will complete the following deliverables:
  - i. Consideration and assessment based recommendation as to **who** should pay balancing services charges.
  - ii. Investigation and recommendation for **recovering** balancing services charges, including collection methodology and frequency.
  - iii. Produce an **interim report** providing detailed reasoning and any relevant analysis behind the initial conclusions.
  - iv. **Consult** on the interim report providing opportunity for stakeholder comment.
  - v. Issue a **final report** including consideration of stakeholder consultation responses providing a final recommendation on who should pay, the design of balancing services charges and potential timescales for implementation.
- b) This Balancing Services Charges TF will use reasonable endeavours not to duplicate the work of workgroups under the code modification development process. Where there is potential for overlap, the Secretariat will ensure that the TF is updated.

## 3. Chair

The TF will be chaired by the ESO. The TF Chair may nominate a deputy to chair the meeting in their absence.

The Chair will provide leadership to the TF and will be responsible for ensuring that each meeting is conducted in accordance with the ToR and in an orderly and efficient manner. The Chair will ensure that all TF Members are able to contribute their views to the TF. The Chair will coordinate with the Secretariat to ensure that appropriate policies and procedures are in place for the effective management of the TF.

The Chair will ensure that regular updates are provided to Ofgem on the progress of emerging conclusions of the TF.

## 4. Membership

### *TF members*

Membership (including any alternate members) will be drawn from members of the Charging Futures distribution list as it stood on the 2<sup>nd</sup> December 2019. The ESO will send an email inviting those on the Charging Futures distribution list to indicate whether they wish to be considered for membership of the TF. The ESO will select membership from those volunteers taking into account the need for a representative range of industry views.

Depending on the level of interest, the ESO, in discussion with Ofgem, may limit the number of TF Members from each representative group to facilitate productive meetings and in-depth discussion.

If a TF Member is unable to attend a meeting, an alternate will be selected from the list of those who applied to the TF and this will be agreed by the parties or through a nomination by the Chair.

Ofgem and the ESO (in addition to the Chair) will each provide at least one member to the TF.

TF Members will:

- a) have relevant expertise and experience in the current BSUoS charging methodologies and the principles and conclusions of Ofgem's TCR;
- b) be committed to making improvements and delivering benefits to consumers through more efficient charging arrangements;
- c) be available to attend all meetings and engage more widely with industry in line with a TF communication and engagement plan;
- d) be able to work collaboratively with other industry participants that may have different views and seek to find consensus, where possible;
- e) actively contribute towards the work of the TF outside of TF meetings. This will include being responsible for completing tasks (e.g. undertaking analysis) that have been allocated to a Member by the TF and reporting back to TF; and
- f) be expected to contribute towards the milestones outlined in Paragraph 8. For example, collectively TF Members will be expected to support ESO in the drafting of the interim and final reports outlining the conclusions of the TF.

## 5. Secretariat

The Secretariat role will be undertaken by the ESO.

The Secretariat will:

- a) Provide secretariat services to the TF and the Chair:
  - i. Organise meetings, including booking venues, in consultation with the Chair.
  - ii. Send out meeting invitations.
  - iii. Prepare agendas, minutes and collate other papers.
  - iv. Aim to circulate meeting agendas and supporting documents/papers five working days prior to each meeting according to the timeline in the TF ToR.
  - v. Circulate minutes to TF Members after each meeting.
  - vi. Add agreed meeting documents to the TF section of the Charging Futures website.
  - vii. Maintain membership lists of TF meetings and handle membership applications.
  - viii. Maintain a list of TF actions and send reminders to TF Members to complete actions.
  - ix. Produce and update a project plan (including stakeholder engagement) to allow the TF to deliver its outputs in accordance with the timetable outlined in Paragraph 8.
- b) Manage stakeholder engagement for the TF arrangements:
  - i. Act as first point of contact for stakeholders who wish to contact the TF.
  - ii. Create and maintain a distribution list of TF Members.
- c) Maintain the TF section of the Charging Futures website. The TF section of the Charging Futures website will provide stakeholders with information including:

- i. Upcoming meeting dates of the TF.
  - ii. Membership of the TF.
  - iii. Papers and other documents for TF meetings.
  - iv. Contact routes for stakeholders wishing to communicate with the TF.
- d) Own a high-quality report on behalf of the TF and collate and publish the interim and final TF reports on behalf of the TF. This will include working with the TF to develop a plan and structure for the interim and final reports, considering the content required for the interim and final reports, developing the interim and final reports working collaboratively with the TF, developing a plan in respect of engaging and consulting on the interim report, etc.

## 6. Reporting and output

The TF will provide regular reports and updates via Charging Futures (including the Charging Futures Forum) on its work and progress. The TF will also be required to keep wider industry updated on its work through the regular publication of all agreed TF documentation. (Documents that a party asks not be circulated or documents that are only available in draft form do not need to be published.)

The TF will be required to provide a report to Charging Futures and Ofgem. The report will provide the outputs identified in Paragraph 8, in the timescales outlined.

The TF will need to remain mindful throughout of other work which may interact with the reporting and output of the TF, as well as applicable code objectives and any wider statutory obligations.

## 7. Meetings

The first meeting of this TF will be held late January 2020. The TF meetings will be face-to-face; however, the TF can decide to meet via alternative methods (e.g. teleconference).

Meetings of this TF will be held on a regular basis, twice monthly in the first instance. Meeting frequency will be reviewed on a regular basis, as decided by the Chair, in consultation with the TF members, as appropriate.

## 8. Timetable

The TF reports to the Charging Futures Forum and Ofgem should be completed in accordance with the following timetable:

Deliverable	Date
Consideration and assessment based recommendation as to <b>who</b> should pay balancing services charges. <i>This should be carried out using the aims and principles of the TCR, noting any potential differences between residual charges, which are subject to RIIO price controls, and balancing services charges, which are not.</i>	January – February 2020
Investigation and recommendation for <b>recovering</b> balancing services charges, including collection methodology and frequency. <i>This should also be carried out using the aims and principles of the TCR but also consider the implications for the RIIO-2 price control determinations. In particular, the design of BSUoS charges should take into account any additional costs and risk placed upon the ESO.</i>	February - March 2020
Produce an <b>interim report</b> providing detailed reasoning and any relevant analysis behind the conclusions.	April 2020
<b>Consult</b> on the interim report providing opportunity for stakeholder comment.	April - May 2020
Issue a <b>final report</b> including consideration of stakeholder consultation responses providing a final recommendation on who should pay, the design of balancing services charges and potential timescales for implementation.	June 2020

Following the production and publication of the final report in June 2020 it is expected that the TF will close. This may be revisited subject to the outcome of Ofgem's decision on next steps.