

Energy UK response to the Balancing Services Charges Task Force Report Consultation

17th May 2019

About Energy UK

Energy UK is the trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership covers over 90% of both UK power generation and the energy supply market for UK homes. We represent the diverse nature of the UK's energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 27 million homes and every business in Britain. Over 730,000 people in every corner of the country rely on the sector for their jobs, with many of our members providing long-term employment as well as quality apprenticeships and training for those starting their careers. The energy industry invests £12bn annually, delivers £88bn in economic activity through its supply chain and interaction with other sectors, and pays £6bn in tax to HM Treasury.

Response

Energy UK welcomes the opportunity to respond to the Balancing Services Charges Task Force Report Consultation.

Energy UK agrees with the draft conclusion of the Task Force in regards to Deliverables 1, 2 and 3. In addition, Energy UK is satisfied that the Task Force has met its Terms of Reference and supports the overall conclusion that costs included within Balancing Services Use of System (BSUoS) charges should all be treated on a cost-recovery basis. As noted in our response to the *Targeted Charging Review: Minded to decision and draft impact assessment*¹, Ofgem has acknowledged that the principles of network residual charging may be similarly applied to BSUoS charging. Given the findings of the Task Force, we encourage Ofgem to pursue this as an option for collecting balancing charges.

The Task Force notes the volatility of the charges and the inability of all parties, including the Electricity System Operator (ESO), to accurately forecast the level of charges. It is therefore important that, if BSUoS is collected on a cost-recovery basis, the costs are fixed and known in advance.

A timetable should be developed by Ofgem highlighting their next steps and the accompanying timescales. In particular, Energy UK encourages Ofgem to set out when a decision on the status of balancing services charges is expected. To ease uncertainty throughout the industry, we note that a decision should be made sooner rather than later, with the appropriate implementation timescales. Energy UK also notes that Ofgem needs to make clear the interaction of all balancing services related work streams with the Targeted Charging Review (TCR) (i.e. current code modifications). There should be one route to progress all changes to balancing services charges – Ofgem need to make a clear decision on this route as a number of routes with partial solutions will only serve to confuse the issue.

Ofgem should ensure that any decisions made toward changing the balancing services charging arrangements should be considered against the conclusions of the Access Significant Code Review and the TCR. All work streams should have a coordinated approach to implementation in order to cause the least distortion to industry parties.

Should Ofgem direct changes to be made through the code modification process, Ofgem should provide clear, well-defined guidance and expectations on what is anticipated from the code modifications which industry raise.

¹ <https://www.energy-uk.org.uk/publication.html?task=file.download&id=7021>

Energy UK believes the process has been conducted over a short timeframe given the importance of the issue. In addition to this, the ten working days given for responses to the consultation is short given the length of the report. We accept that this was necessary for the Task Force to meet its Terms of Reference, but note that parties, particularly those with less resources, will not have been able to fully review the document and conduct their own internal research.

Should you have any questions on the above response, please do not hesitate to get in touch.

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