

Balancing Services Charges

3rd Task Force

28 February 2019

Welcome and introduction

Colm Murphy

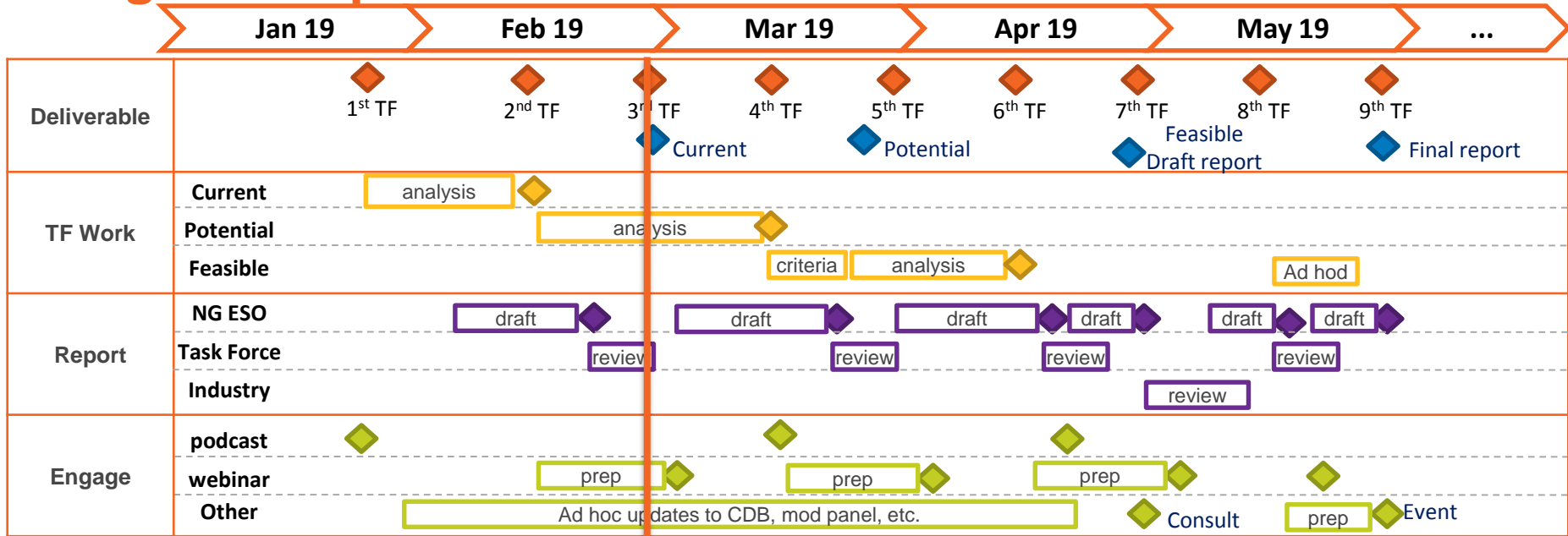


Purpose of today

- The **purpose** of the task force meeting today is:
 - Discuss the draft report for Deliverable 1
 - Play-back and agree the collated and summarised outputs of TF2
 - Plan industry engagement (webinar) on our progress to date for Deliverable 1 and 2
- The **agenda** of today is as follows:

| No | Subject | Lead | Time |
|----|--|------------------------|-------------|
| 1 | Welcome and Review Actions, Report Structure and Minutes | Colm Murphy, Joe Henry | 13:00-13:30 |
| 2 | Collated TF2 Output Overview and Discussion | Mike Oxenham | 13:30-14:30 |
| 3 | External Engagement – Webinar Planning Discussion | Sophie VC | 14:30-15:15 |
| 4 | Summary and Next Steps | Colm Murphy | 15:15-15:30 |

Programme plan



| 1- TF 29Jan | 2- TF Feb | 3- TF Feb | 4- TF Mar | 5- TF Mar | 6- TF Apr | 7- TF Apr | 8- TF May | 9- TF May |
|---|--|--|---|--|---|---|--|---|
| <ul style="list-style-type: none"> TF plan Currently: analysis actions | <ul style="list-style-type: none"> Currently: agree conclusion Potential: agree scope + analysis actions | <ul style="list-style-type: none"> Potential: progress analysis - review options | <ul style="list-style-type: none"> Potential: agree conclusion Feasible: define criteria + analysis actions | <ul style="list-style-type: none"> Feasible: further analysis actions + predictability + other signals | <ul style="list-style-type: none"> Feasible: agree conclusion | <ul style="list-style-type: none"> Report: finalisation before consultation | <ul style="list-style-type: none"> Report: comments review and actions | <ul style="list-style-type: none"> Final report + event |

Action log

| No | Action | Owner | Open/Closed |
|----|---|----------------------------|--------------|
| 1 | Come back to the next meeting with Information on whether a formal consultation process would follow the Task Force | Tim Aldridge (Ofgem) | Closed |
| 2 | Check if Terms of Reference refer to conflicting opinions and subsequent decisions | Mike Oxenham (ESO) | Closed |
| 3 | Ensure feedback received from the wider industry is taken on-board by Task Force | Sophie van Caloen (ESO) | Open/Ongoing |
| 4 | Give consideration to analysis, questions and data sets required and provide this to the taskforce where possible | All TF Members | Open/Ongoing |
| 5 | Live Data Sets/Dashboards to be looked into | Mike Oxenham, Paul Wakeley | Open/Ongoing |
| 6 | Liase with Elexon in regards to Data Provision | Mike Oxenham (ESO) | Open |
| 7 | TF Members to feed in thoughts to MO on which data from Elexon may be helpful. | All TF Members | Open |

Action log

| No | Action | Owner | Open/Closed |
|----|---|--------------------|-------------|
| 8 | All TF members to consider if they can help provide meeting spaces | All | Open |
| 9 | Secretariat to confirm next meeting date | Joseph Henry (ESO) | Open |
| 10 | ESO to confirm arrangements for Alternates in case of TF member apologies | Joseph Henry (ESO) | Open |

Engagement - Feedback

Feedback from previous engagements:

TCMF

- no feedback on progress and engagement approach

DCMDG

- No feedback was received on the engagement approach.
- There was one comment on the desire for the end product to be predictable.
- There was also a question on whether any analysis had been undertaken on the potential impact of the TCR proposals reducing 'Triad chasing' (presumably on BSUoS costs) – TCR question rather than a TF question?

Draft report – for discussion

- **Draft document on Deliverable 1** circulated Friday 22nd February for review.
 - This document is written as an interim document from the Task Force, focusing on deliverable 1. This will be used for the draft final report to be produced in April. This is work-in-progress and is being circulating to get initial views and feedback to ensure we are heading in the right direction for both structure and content.
- **The document currently includes:**
 - Short introduction on background and TF approach
 - Assessment of Deliverable 1:
 - Assessment of each element of balancing services charges
 - Result (1/2): balancing services charges do not provide a signal, in general
 - Result (2/2): constraints costs might provide a signal, to a certain extent
 - Conclusion: *In general, that the existing elements of balancing services charges do not currently provide a forward-looking signal which influences user behaviour. The exceptions identified being in relation to risk premia and overnight demand in periods of high-wind and low demand, neither of which are of benefit to the system or ultimately to consumers.*

Deliverable 2 – Potential Options and Provisionally Discounted Options

Mike Oxenham

Electricity Markets Development
Manager, ESO

Deliverable 2 Overview

- Deliverable 2 asks that the Task Force assess the **potential** for existing elements of balancing services charges to be charged more cost-reflectively and hence provide better forward-looking signals.
- The Task Force believes that the **Potential Options** covered within this Presentation could **potentially** be charged more cost-reflectively and provide better forward-looking signals.
- It is important to note that at this stage the Task Force has not assessed the feasibility of such **Potential Options**. As such these **Potential Options** should not be assumed to be feasible and/or that they are being endorsed as feasible options by the Task Force.

ALUO Model Overview

What is ALUO?

- A facilitation process/technique to generate options against a problem or question being asked and then to take those options and refine them and aim to find an effective solution to any problem or question.

What is the ALUO Process?

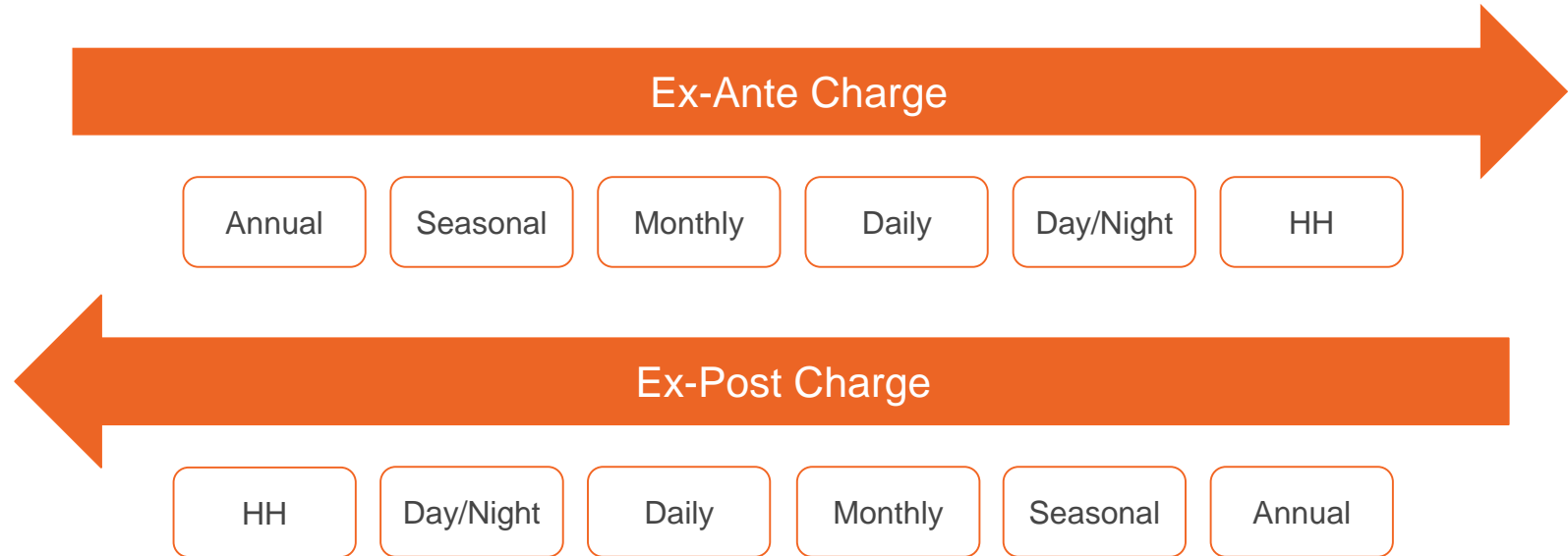
For each of the options which have been generated:

- Discuss the **Advantages** of each option proposed as a group.
- Discuss the **Limitations** each option as a group noting it is critical limitations are phrased as questions. (e.g. How can option X deliver more of Y...?)
- Discuss the **Uniqueness** each idea brings to the table.
- Discuss solutions to **Overcoming Limitations** being proposed as questions.

The Task Force has generated some initial options which could potentially be more cost reflective and forward-looking for further discussion/development.

Common Factors

- For each of the identified options there are common factors for consideration as follows.



- Assumption – at the Feasibility Stage the £/MWh charge structure will also be explored.
- Assumption – the detailed cost component allocation to options is for future consideration.

External Engagement – Webinar Planning

Sophie van Caloen

Webinar

- Webinar planned from 10:00 to 12:00 on **Thursday 7 March**.
- Proposed **agenda** for discussion:

| No | Subject | Objective | Content | Lead | Time |
|----|---|---|--|--------------|-------------|
| 1 | Scope and programme of the Task Force | Reminder of the broader context and sharing TF working approach | <ul style="list-style-type: none">- Reminder of scope, drivers and deliverables- Programme plan, approach- Engagement plan | Colm Murphy | 10:00-10:20 |
| 2 | Deliverable 1: analysis and conclusion | Enable wider industry contribution ahead of draft report in April | <p>Presentation of Deliverable 1 work and conclusion:</p> <ul style="list-style-type: none">- Reasons for not providing signal in general- Some signal on constraints costs and analysis- Conclusion | Grace Smith | 10:20-11:00 |
| 3 | Deliverable 2: update on options for analysis | Enable wider industry contribution, ensuring we captured all possible potential options for cost-reflectivity | Presentation of Deliverable 2 work, focussing on options for assessment | Mike Oxenham | 11:00-11:30 |
| 4 | Q and A | | | All | 11:30-12:00 |

Summary and Next Steps

Colm Murphy



Task Force - Future Meeting Dates

| Date | Time | Location |
|--------------------|------------|------------|
| Tuesday 12 March | 10am – 4pm | The Strand |
| Tuesday 26 March | 10am – 4pm | The Strand |
| Monday 8 April | 10am – 4pm | TBD |
| Wednesday 24 April | 10am – 4pm | TBD |
| Tuesday 7 May | 10am – 4pm | TBD |
| Thursday 23 May | 10am – 4pm | TBD |

Thank you

If you have further views please contact ChargingFutures@nationalgrid.com.