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Sent by email to: [TCR@ofgem.gov.uk](mailto:TCR@ofgem.gov.uk)

Dear Andy,

**Future Charging and Access programme – consultation on supplementary information and analysis to November 2018 minded-to decision on the Targeted Charging Review**

Thank you for the opportunity to respond to the above consultation. This is a non-confidential response on behalf of the Centrica Group.

Our response focuses on the Balancing Services Task Force findings and how they should be considered in the context of the November minded-to decision on the TCR and other aspects of the Future Charging and Access programme.

- **We support ‘Partial’ reform of the BSUoS embedded benefit from April 2022**
- **Further consultation and analysis is required on BSUoS cost recovery arrangements**
- **Any BSUoS residual reform should be implemented no earlier than April 2023**

**Partial reform of the BSUoS embedded benefit from April 2022**

As we set out in our response to the TCR minded-to decision, we support the ‘Partial’ reform option for the BSUoS embedded benefit, with implementation from April 2022.

Given that it is more likely that BSUoS costs will be classified as a cost recovery following the Task Force conclusions, it would be inconsistent with the TCR principle of recovering residual from demand to move to ‘Full’ reform. It would also be impractical as this will cause multiple step changes in charges, systems and processes.

We recommend that any reform of BSUoS charging arrangements is implemented 3 years after a firm regulatory position is provided by Ofgem. Therefore, for the BSUoS embedded benefit reform, this would be April 2022, given the clear signal provided by Ofgem in its November minded-to decision.

**Further consultation and analysis is required on BSUoS cost recovery arrangements**

With respect to BSUoS arrangements, Ofgem's minded-to decision and impact assessment in November 2018 was limited to the BSUoS embedded benefit and did not consider any change to the treatment of BSUoS as a cost recovery. Therefore, whilst application of the TCR principles may imply that a BSUoS cost recovery charge should apply to demand only, we expect further consultation and impact assessment before any final decision is made on this. The structure of a BSUoS cost-recovery charge, and who should pay it, was out of scope of the Task Force and this should now be considered further by Ofgem and the industry.

**Any BSUoS residual reform should be implemented no earlier than April 2023**

To ensure it is consumers who are the beneficiaries of any reform it is important that implementation timescales for changes to residual charge recovery are sufficient for industry parties to reflect in prices. Windfall gains and losses could arise if changes in arrangements are implemented before market participants are able to reflect those changes in forward contracts such as power purchase agreements or energy supply contracts.

For any BSUoS residual reform, we would not expect a firm position to be signalled until later in 2019, after further consultation. Therefore, in line with our view that any reform of BSUoS charging arrangements should be implemented 3 years after a firm regulatory position is provided by Ofgem, implementation would be appropriate from April 2023.

I hope you find these comments helpful. Please contact me if you would like to discuss any aspect of our response.

Yours sincerely,

George Moran  
Senior Regulation Manager - Network Regulation  
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