

Energy UK Response to Ofgem's consultations on its minded-to decision and draft impact assessment re CMP308

19th January 2022

About Energy UK

Energy UK is the trade association for the energy industry with over 100 members spanning every aspect of the energy sector – from established FTSE 100 companies, right through to new, growing suppliers and generators, which now make up over half of our membership.

We represent the diverse nature of the UK's energy industry with our members delivering over 80% of both the UK's power generation and energy supply for the 28 million UK homes as well as businesses.

The energy industry invests £13bn annually, delivers £31bn in gross value added on top of the £95bn in economic activity through its supply chain and interaction with other sectors, and supports 738,000 jobs in every corner of the country.

Introduction

Energy UK welcomes the opportunity to respond to [Ofgem's minded-to consultation](#) on proposals to change the way that the Balancing Services Use of System (BSUoS) charges are collected from electricity network users.

We note that following the second BSUoS Task Force's recommendations¹ Ofgem set an agreement in principle in December 2020, along with the expectation that industry would develop solutions to modify the relevant industry code in line with the Task Force recommendations through the code modification process. As such, Energy UK members (and wider industry) have anticipated a final decision on the CUSC modification CMP308 since this date - rather than a further consultation.

We have therefore outlined some key points in support of Ofgem's minded-to decision position.

CMP308 Minded-to decision and draft impact assessment

Energy UK members support the CUSC modification CMP308 and agree with the minded-to decision published by Ofgem.

The minded-to decision meets CUSC Objective (a) as better alignment in GB market arrangements with interconnected countries will facilitate effective competition for generators between markets. Recovering charges from Final Demand is a cost effective way to recover what has now been deemed by the Balancing Services Task Force a non-cost reflective cost, with agreement from Energy UK members. This will largely remove risk premiums factored in by generators in setting wholesale prices. In addition, it will provide a level-playing field domestically amongst GB generators, alleviating the distortion (and resulting inefficiencies) that exists between those generators that pay the BSUoS and those that do not.

The decision also meets CUSC Objective (e), which involves moving BSUoS solely to final end demand users means billing arrangements can be simplified and allow consumers to benefit from competitive wholesale prices which will be on parity with interconnected parties.

¹ <http://chargingfutures.com/media/1477/second-balancing-services-charges-task-force-final-report.pdf>

Energy UK members support and expect that CMP308 implementation is delivered on 1st April 2023, in alignment with timescales previously indicated by Ofgem with regards to moving cost recovery mechanisms onto Final Demand.

Energy UK members agree with and would like to reiterate wording in Paragraph 5.36 (of minded to consultation) that *“a typical market participant will have understood that change could occur to the BSUoS charging arrangements for a number of years prior to a 2023 implementation and will have had the opportunity to consider their approach to these uncertainties, including the effect on their commercial arrangements”*.

We also note that BSUoS has been particularly high and volatile since September 2021 with record costs being recorded. We would therefore strongly urge Ofgem to ensure that CMP361/2, which aims to stabilise BSUoS charges, is also delivered to a 1st April 2023 implementation date. CMP361/2 will remove the need for urgent ‘stop-gap’ measures, such as those being discussed under CMP381.

We would like to emphasise that any further delay will significantly impact critical business decisions and industry require an urgent decision. This will allow EUK members to have better clarity of their cost exposures and confidently begin to make the necessary arrangements

Should you have any questions regarding our response, please do get in touch.

Kisha Couchman

Senior Policy Manager

Energy UK

020 7024 7633

kisha.couchman@energy-uk.org.uk