

Dear Daniel,

We are grateful for the opportunity to respond to the call for input to Ofgem's proposed approach to reflecting changes to the way that Balancing Services Use of System ('BSUoS') charges are collected from electricity network users. As we understand the proposals, the question that is being asked by Ofgem is on the preferred form of transition from one BSUoS method to another. *We understand that this is in relation to the domestic price cap only.*

On this basis, and having consulted with our members, we have only the following comments in relation to the proposed approach:

- The proposed changes relate only to the domestic price cap and which therefore is likely to have very little impact on the brewing and pub sectors.
- The proposed changes relate to the phasing from variable to fixed BSUoS. Currently when setting the price cap Ofgem uses historic BSUoS data to predict future costs, however going forward there will be a need to reconcile the forecast costs against actual costs as part of the transition to the new method. The call for input document refers to the timing of this reconciliation, rather than it's the value.
- Based on the timeline provided, the reconciliation will occur at a time when domestic consumers are not paying the Ofgem price cap but will instead be paying the fixed price recently introduced by Government. Therefore, we assume that this will only impact the phasing of Government payments to suppliers to allow the £2500 fixed price to be set?
- Whilst we do not think it likely, without knowledge of the support methodology, it is difficult to say with any certainty whether these proposals will impact on the support that Government has announced for business.

Based on the above, we have no reason to object to Ofgem's preferred BSUoS transition reconciliation Option A.

However, in addition to the above, I would seek to note with you a further concern that has been raised by our members in relation to this call for input as follows.

Separately to the transition between BSUoS methodologies in relation to the domestic price cap, we also understand that Ofgem are considering a change whereby a fixed BSUoS charge will be published each December for use for the 12 months starting the following April. In this scenario, Ofgem are proposing a change to the current approach to recovery of the BSUoS cost equally from generators and consumers (on a 50:50 basis) to recovery of 100% of the BSUoS cost from consumers alone.

This change, when translated to the energy costs of one of our members, could result in an increase in energy costs of between £60k - £120k p.a. We would however assume that, using the 100% recovery model, Ofgem would consider that the increase in consumer costs will be offset by an equal and opposite reduction in wholesale costs.

It is likely that all BBPA members will be impacted by this change (the size of the impact will directly correlate to their consumption). Members with 'pass through' contracts will see the change in their pass through invoicing, from the point that the new approach commences. Members with Fixed Term Fixed price contracts will see the change from their next contract renewal (assuming that their supplier does not attempt to invoke an 'industry change' clause within their current contract).

against real-term increases in energy costs as a result.

Best Wishes,

Steve Livens

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