

To all interested stakeholders

Contact: CFF@ofgem.gov.uk

4 August 2017

Launch of Charging Futures Forum (CFF)

1. Summary

- 1.1. In our Targeted Charging Review (TCR) consultation,¹ we sought views on setting up a group for the co-ordination of charging issues.
- 1.2. After considering responses and discussing with stakeholders, we will be setting up a new structure to facilitate better co-ordination of changes to charging arrangements, which will be called the Charging Futures Forum (CFF).
- 1.3. This new CFF will have the aim of bringing together the various electricity network charging reviews into an integrated work programme. This is to meet Ofgem's and industry's electricity network charging reform aims and deliver better outcomes for current and future consumers. The CFF will have a central role in keeping stakeholders up-to-date and giving them the opportunity to influence the work undertaken.
- 1.4. We have decided to appoint NGET in its capacity as System Operator (SO) as the lead secretariat as part of its SO role. We have published a letter setting out that appointment today, which is appended to this letter.² We would expect secretariats for the existing industry-led reviews to continue to provide support for the elements of those reviews that continue under the CFF.
- 1.5. The rest of this letter describes these arrangements in more detail.

2. Consultation and responses

- 2.1. The TCR consultation explained that the new arrangements would help steer complex cross-code issues, and provide a forum for stakeholders to engage effectively in policy development. We outlined our intention that the CFF would help steer existing industry-led charging reviews and their interaction with Ofgem-led work.
- 2.2. Respondents were supportive of the CFF concept. They emphasised the importance of an inclusive and transparent process that didn't simply replicate the existing code governance arrangements. Some respondents were keen to see more details on the arrangements and the responsibilities of different parties. A few respondents were also concerned about the ability of some parties to resource attending another set of industry meetings on charging. We have considered these responses in developing our proposals.

¹ At <https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-consultation>

² This letter can be found here <https://www.ofgem.gov.uk/publications-and-updates/charging-futures-forum>

3. Purpose and scope

3.1. The purpose of the CFF is to bring together Ofgem-led and industry-led electricity network charging reviews, both ongoing and emerging, into a joined-up work programme. That programme should ensure that reform to electricity network charging delivers better outcomes for current and future consumers. It will also provide stakeholders with a clearer overall picture of developments in charging policy, helping them to engage effectively.

3.2. We expect the CFF to cover both Ofgem-led projects and those led by industry.

Ofgem-led projects on electricity network charging

- Ofgem's Significant Code Review (SCR) for the TCR, which will consider reform of network residual charges, and keep embedded benefits (other than the Transmission Demand Residual (TDR) payments) under review.
- Where appropriate, charging-related issues emerging from Ofgem's work on Regulating the Future Energy System.³
- Charging-related issues that could arise from the Ofgem/BEIS Upgrading our Energy System – smart systems and flexibility plan.⁴

Industry-led projects and other work on electricity network charging

- The charging workstream under ENA's Open Networks project (formerly called 'TSO-DSO').⁵ This has explored the impact of differences in charging arrangements on customer costs and options for progressing charging issues of particular relevance to the development of the GB DSO model. It has produced a recommendations report that will be considered by the CFF.
- The Distribution Charging Methodologies Forum's reviews of the DNOs' two distribution use of system charging methodologies, the CDCM and the EDCM.⁶ The Forum has been developing options and has drafted an update paper for the CFF's consideration, including a set of key questions. Over the summer, it will continue to develop the costing models and tariff structure applications in advance of responses from the CFF to the key questions.
- National Grid's Review of transmission charging.⁷ National Grid has committed to work with stakeholders to progress the priority areas not covered by existing reviews.
- Existing industry-led individual change proposals, where the cross-code and cross-industry nature of the CFF can help develop changes that are aligned with wider system developments. One example would be current modifications relating to TNUoS and BSUoS charges for storage.

3.3. The CFF will also be able to incorporate future network charging work not covered by that above. The task forces set up through the CFF will provide a route to develop draft change proposals that can then be passed to the usual code open governance process.

3.4. The CFF will be tasked with developing an integrated work programme across all network charging, aligned with the strategic development of the system. Hence we expect that significant changes to electricity network charging to be considered by the CFF, and that only relatively minor changes will be taken forward outside of this framework.

³ <http://www.energynetworks.org/electricity/futures/open-networks-project/open-networks-project-overview/>

⁴ <https://www.ofgem.gov.uk/publications-and-updates/upgrading-our-energy-system-smart-systems-and-flexibility-plan>

⁵ <http://www.energynetworks.org/electricity/futures/open-networks-project/open-networks-project-overview/>

⁶ <http://www.energynetworks.org/electricity/regulation/distribution-charging/distribution-charging-working-groups.htm>

⁷ Information can be found at http://www2.nationalgrid.com/UK/Industry-information/System-charges/Electricity-transmission/charging_review/

4. Structure and governance

- 4.1. In the TCR consultation, we stated that the role and structure of the coordination group will be critical. We indicated that it would be an Ofgem-chaired group, but with wide industry representation to help steer the overall charging reform programme. We said we'd initiate the development of the group during the consultation period, but that the final purpose and functioning of the group would be confirmed once we had considered all consultation responses.
- 4.2. Some respondents highlighted the importance of strong leadership from Ofgem to coordinate the multiple reviews and views. Others sought clarity on the roles of the different components that would make up the CFF.
- 4.3. Our decision for the outline structure of the CFF, and how it relates to the existing code governance process, is illustrated in the diagram at the end of this letter.
- 4.4. The new arrangements will be focused around a Charging Futures Forum, with a supporting Charging Delivery Body, both to be chaired by Ofgem. Secretariats and task forces will support the work. The following paragraphs briefly describe the roles of the different elements of the arrangements.

Ofgem

- 4.5. We agree with consultation respondents who highlighted the need for strong leadership for the new arrangements given the complex and cross-cutting nature of the issues it will cover. Our work programme on charging-related areas should provide overall direction that is in the interests of current and future consumers.
- 4.6. Our role will be to chair the Charging Futures Forum and the Charging Delivery Body. We will:
- develop and communicate policy steers to the Charging Futures Forum on all Ofgem-led work
 - provide Ofgem's views on other charging matters being led by industry where appropriate
 - help to agree priorities for the Charging Delivery Body, and ensure that it delivers timely outputs.

Charging Futures Forum

- 4.7. As stated in our TCR consultation, and supported in the consultation responses, we want the CFF to provide the opportunity for meaningful engagement in policy development with wide industry representation. We think the most effective way to achieve this is through an inclusive Charging Futures Forum.
- 4.8. The Charging Futures Forum will:
- enable stakeholders to provide policy input and technical expertise for policy developments which are in scope of the arrangements
 - keep stakeholders informed about progress of the various work areas, identify appropriate task forces and assign work to these
 - support Ofgem and industry in setting terms of reference for the task forces.
- 4.9. The Charging Futures Forum will be open to network users, network operators and energy consumers and/or their representatives. We expect meetings to be held quarterly. Meetings will be held at locations across GB, reflecting the GB-wide distribution of stakeholders.

4.10. Stakeholders will also be able to provide input, and will be kept informed through a range of other routes to ensure that the forum is widely accessible. This will be enabled by a website portal to act as a 'one-stop-shop' for all stakeholders interested in network charging arrangements.

Charging Delivery Body (CDB)

4.11. We have decided that a Charging Delivery Body will be necessary to support the CFF. It will be a way of translating the results of the CFF into manageable actions and ensuring these are delivered in a timely manner. We consider that the parties who maintain and operate the charging methodologies are best placed to take forward the implementation of changes to network charging arrangements.

4.12. The purpose of the CDB will be to coordinate the development and implementation of changes to charging, including from work being taken forward by task forces. It will:

- consider cross code implementation issues and risks
- develop an overall approach to implementation
- coordinate implementation issues where necessary and appropriate
- facilitate the progress by existing and new task forces in implementing individual projects and seek briefings as appropriate
- liaise closely with the CFF and take stakeholder views into account.

4.13. The CDB will include one representative from each of the DNOs, the SO and each of the relevant code administrators: National Grid (for the CUSC), ElectraLink (DCUSA) and Elexon (BSC). Meetings of the CDB will be held as necessary to support the quarterly CFF meetings: beforehand to prepare briefing materials to update the CFF on progress; and afterwards to translate outcomes of the CFF into tangible actions. To ensure transparency, all meeting documents will be published, and nominated CFF representatives may observe the meetings.

Task Forces

4.14. We envisage that task forces will be needed to develop policy in some areas to the point of change proposals being submitted to the code governance process. They should not duplicate the workgroups under the code modification development process.

4.15. The task forces will undertake more detailed policy development that would not be manageable in the wider CFF, but we would expect representation from CFF members where appropriate. Depending on the work areas established, the task forces may be organised in an equivalent way to the working groups for some of the existing reviews, (e.g. with a task force covering the CDCM and EDCM reviews).

4.16. The purpose of each Task Force will be to:

- carry out the work assigned to it by the CFF
- liaise closely with the CFF and report back on its progress and findings
- produce change proposals for submission to the usual code governance process

Secretariats

4.17. Secretariats will be necessary to support components of the CFF. There will be a lead secretariat to provide central programme coordination and overall support.

4.18. The lead secretariat will be supplemented by supporting secretariats where necessary, which would provide support to particular task forces.

4.19. The purpose of the lead secretariat will be to:

- provide administrative support to the CFF and the CDB
- act as programme manager, coordinating the different charging reviews under the arrangements
- undertake analytical tasks for the CFF and task forces, including (as appropriate) on consumer impact; long-term economic assessment; transmission/distribution consistency
- provide advice for smaller parties in particular, helping them to navigate through the charging arrangements process.

4.20. The lead secretariat will:

- act as first point of contact for stakeholders who wish to contact the CFF or the CDB
- organise CFF and CDB meetings
- set up and maintain a CFF portal and other routes of communication with stakeholders.

4.21. Supporting secretariats will be assigned to specific task forces to provide administrative support as appropriate.

4.22. We have decided to appoint the SO as lead secretariat as part of its SO role. For each task force we expect one of the code administrators or the ENA to become supporting secretariat, depending on the role of the task force. For instance, if a task force examines the CDCM and EDCM, then ElectraLink could be well-placed to continue its role from the existing reviews. Likewise, the ENA could be well-placed to support a task force focused on the transmission/distribution interface given the links to the Open Networks programme.

4.23. We have included more detail on our secretariat decisions in the letter published alongside this document.

5. Next steps

5.1. We expect the first CFF meeting to take place in the autumn. We expect this meeting to include an opportunity for stakeholder input on CFF and CDB arrangements, updates on the ongoing charging related reviews and discussion about which task forces should be formed.

5.2. Nominations for representation on both the CFF and CDB should be sent to the lead secretariat to compile and submit to Ofgem. Ofgem will decide on membership of both groups. To ensure the CFF meetings are manageable, we may need to limit the number of representatives from each organisation to one, and will give priority to network users and consumer representatives, although we welcome applications from other stakeholders and hope to include other representation.

5.3. The CFF website portal will be available to all stakeholders. For CFF nominations, or to join the CFF mailing distribution list, please register your interest using the online form⁸ by **8 September**. For representation on the CDB, please contact the SO at chargingfutures@nationalgrid.com, with nominations required by **8 September**.

If you would like to contact us to discuss the issues outlined in this letter, please write to us at CFF@ofgem.gov.uk.

Yours faithfully,

Frances Warburton
Partner
Energy Systems

⁸ <https://www.surveymonkey.co.uk/r/YJT996W>

Figure 1: Charging coordination arrangements

