

Andrew Self at TCR@ofgem.gov.uk
10 South Colonnade
Canary Wharf
London E14 4PU

12th July 2019

Dear Andrew

Consultation on supplementary analysis to November 2018 minded-to decision on the Targeted Charging Review

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have around five million electricity and gas customer accounts in the UK, including residential and business users.

Thank you for the opportunity to respond to the supplementary analysis to the Targeted Charging Review (TCR) published on the 17th June 2019.

It is clear from the additional analysis carried out that, despite a number of changes, the overriding case to reform network charges remains robust and in consumers' best interest.

We do not repeat here our previous detailed comments and views on the Targeted Charging Review, rather we focus on the specific points raised by Ofgem.

Capacity Market sensitivity analysis

The Capacity Market (CM) is the right mechanism to deliver security of electricity supply at least cost; it is an important tool within the GB market and is essential in order to maintain a well-functioning wholesale market. We agree that it was prudent of Ofgem to conduct additional analysis on the minded-to decision on the TCR following the suspension of the CM, to discover whether the projected benefits still arise in the very unlikely event of the CM not being re-instated. The results do show that the projected benefits of reforming residual charges and non-locational embedded benefits are in general robust to this unlikely scenario.

Findings of the BSUoS Task Force

This Task Force delivered a comprehensive and detailed evaluation of Balancing Services Use of System (BSUoS) charges by a range of stakeholders and industry experts.

We agree with the key conclusion of the Task Force that costs included within BSUoS charges should all be treated on a cost-recovery basis. Ofgem stated in the "Targeted Charging Review - Significant Code Review launch statement"¹ published on the 4th August 2017 that *"If BSUoS remains a cost-recovery charge, it would make sense to consider aligning charging for BSUoS with any reformed transmission and distribution residual charging arrangements developed as part of this SCR"*.

Ofgem's states² that *"our minded-to decision is to maintain our view that residual charges should be levied on final demand users only"*.

Separately Ofgem has stated that it plans to decide on CUSC modification CMP308 (raised by EDF Energy), which moves BSUoS costs to final demand customers only, alongside its final TCR decision in summer 2019. Our view is that if CMP308 is approved by Ofgem then it would be appropriate for Ofgem to approve only the partial BSUoS reform option under TCR (removing BSUoS embedded benefits) to deliver a coherent and robust BSUoS reform.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Mark Cox on 01452 658415. I confirm that this letter may be published.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Mark Cox".

Mark Cox
Head of Transmission & Trading Arrangements

¹ https://www.ofgem.gov.uk/system/files/docs/2017/08/tcr_scr_launch_letter.pdf

² https://www.ofgem.gov.uk/system/files/docs/2018/11/targeted_charging_review_minded_to_decision_and_draft_impact_assessment.pdf