

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

12th July 2019

Background to ENGIE

In the UK, ENGIE employs 17,000 people in a number of activities across the energy value chain, as well as through its extensive services and regeneration businesses.

In generation, ENGIE owns First Hydro in a 75/25 joint venture with Brookfield Renewable Partners. With a total capacity of 2088MW, it is the UK's largest pumped storage operator.

ENGIE also has a 50% stake in over 80MW of renewable generation. In supply, ENGIE operates an Industrial and Commercial (I&C) and Small and Medium Enterprise (SME) B2B electricity and gas supply business, and a domestic electricity and gas retail offer through its Home Energy business.

It owns the country's largest district heating business, providing district energy solutions to the public, commercial, industrial and residential sectors. A key site is the Olympic Park District Heating facility in London. Following the acquisitions of Balfour Beatty Workplace, Lend Lease FM and the Keepmoat regeneration business, it is also one of the top five service companies in the UK.

General comments

In general, we are supportive of the Ofgem approach and we are a firm supporter of the principles-based methodology that has been adopted in the reviews around removing harmful distortions, fairness and proportionality.

Whilst we believe that detailed analysis is important in informing decision making we believe that the output of the analysis should only be one of the ingredients in decision making as, in reality, assumptions used in the modelling are likely to be subject to significant outturn variation. There is a balance to be drawn between delaying decision making to perform additional analysis against lost consumer benefits caused by the delay.

We are aware that advocates and opponents of these policy changes are likely to use different assumptions in modelling to support their preferred outcome and, as such, we believe the principles-based approach is even more important when decisions are made in controversial policy areas.

On BSUoS we do not believe that it provides a useful forward-looking signal and would support this being moved on to gross demand (excluding intermediate demand) on a flat daily basis.

Specific Point

- Capacity market, carbon appraisal pricing and line loss factors

In relation to the capacity market sensitivity and carbon appraisal pricing: we agree that these updates provide additional insight but as noted in our general comments we don't believe that undue weight should be attached to any specific analysis outcome as it is the economic principles that should drive decision-making rather than the precise details of the supporting analysis. There should be sufficient information available now to move this process forward.

We will be interested in the outcome of the line loss factor proposals as this is a complex and little understood area of the industry arrangements. Whilst there has been extensive industry engagement throughout the TCR process we suggest that this particular issue may benefit from an industry education workshop to help industry understanding in this area.

- BSUoS

We do not believe that BSUoS provides a useful forward-looking signal. The current makeup of BSUoS is a relatively "flat" system cost plus a large cost made up principally of BM costs used to manage constraints, both are then divided by twice net demand. We agree with the task force that a few days ahead of time these costs are hard to forecast, complex and volatile. We also agree that the nature of the net demand denominator combined with the increased need to manage constraints during low demand periods (overnight) leads to a significant incentive for demand users overnight to reduce demand.

We believe that ultimately BSUoS (which is a fixed cost) should be faced by the end consumer as this will provide the most efficient outcome. We have provided analysis and further details of the additional cost as part of CMP 308 and CMP 281 working groups that both deal with the BSUoS cost which we are happy to share if Ofgem does not have access to these reports.

We believe that as a minimum BSUoS should be calculated on a flat daily basis and charged to gross demand excluding any intermediate demand i.e. excluding storage demand and licenced generation own use demand.

For further information, please contact:

Simon Lord
Transmission Services Director
ENGIE UK

Tel: 07980-793692
Simon.lord@engie.com