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**Future Charging and Access programme – consultation on refined residual charging banding in the Targeted Charging Review**  
25 September, 2019

Dear Andy,

I am writing in response to the above open letter dated 3 September 2019. We recognise that this letter was largely seeking views on the new proposals for banding customers for the purposes of charging residual tariffs. Whilst this is an important aspect of the proposed reforms we do not believe that, as a generation and trading business, we are in the best position to comment on the practicality of these proposals. We feel this is an issue which is best left to suppliers and customer groups.

We would however like to comment on the second section of the letter regarding the supplementary renewables modelling that has been undertaken. We continue to believe that reforms in this area are very much needed in order to remove a significant distortion in the current arrangements, which provides a cross subsidy to some types of resource which connect to distribution networks. Therefore, we feel that changes can be justified as a matter of principle and will deliver significant benefits to customers.

Whilst economic modelling can be helpful in illustrating the sorts of effects which might occur as a result of proposed changes, it is inherently uncertain in nature and cannot be relied on to predict outcomes. We note that Frontier's and LCP's sensitivity analysis for Ofgem doesn't seek to predict the impact that the proposed changes might have on the levels of onshore renewable generation. Instead, it simply tests what the difference in costs might be to customers and the system, if a certain amount of onshore renewables assumed under two of National Grid's Future Energy Scenarios is replaced by offshore renewables. It is clear that this is not intended to be a prediction, but rather than a worst case scenario of how costs could be altered. We not believe that such an outcome would be allowed if onshore renewables represented a cheaper way of achieving the Government's zero carbon ambitions. Instead, we believe that support would be provided to these cheaper technologies where required. We therefore believe that the scenarios are unrealistically pessimistic.

Of course, given the nature of this type of analysis, it is always open to criticism as parties will always have their own subjective view of what additional aspect should be examined. We believe that Ofgem should recognise the limitations of economic modelling, that the proposed changes are sound as a matter of economic principle and not allow the process to be held up further in the face of additional comments which are likely to come forwards.

Yours sincerely,

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