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Date: 28 November 2018

Dear Trisha,

### **Interaction between Connection and Use of System Code (CUSC) proposed modification CMP308: 'Removal of BSUoS charges from Generation' and the Balancing Services Charges Task Force under the Charging Futures arrangements**

EDF Energy (the Proposer) raised CMP308 for consideration by the CUSC Panel on 26 October 2018. We have determined that CMP308 does not fall within the scope of the Targeted Charging Review: Significant Code Review (TCR). However, we consider that work on this modification proposal should not progress, at least until the conclusions of the forthcoming Balancing Services Charges Task Force are published.

One of the objectives of the TCR is to keep the 'other embedded benefits' under review, including the Balancing Services Use of System (BSUoS) embedded benefits. Embedded benefits arise from the different treatment of some smaller (below 100MW) generators connected to the distribution system, compared with other generation.

Alongside our consultation on proposals for the TCR, we are announcing the launch of an ESO-led Balancing Services Charges Task Force under the Charging Futures arrangements.<sup>1</sup> The Task Force will inform the direction of balancing services charges based on assessing whether: (i) there is value in seeking to improve cost-reflective signals through BSUoS, or (ii) BSUoS should be treated as a cost recovery charge. In the latter case, it may be suitable to apply the same approach that we are proposing for transmission and distribution residual use of system charges through our TCR.<sup>2</sup>

We expect the Balancing Services Charges Task Force to assess three main issues:

1. The extent to which elements of balancing services charges **currently** provide a forward-looking signal that influences the behaviour of system users.
2. Whether or not existing elements of balancing services charges have the **potential** to be made more cost-reflective and hence provide better forward-looking signals.
3. The **feasibility** of charging any identified potentially cost-reflective elements of balancing services charges on a forward-looking basis. It should also consequently identify the extent to which the different elements of balancing services charges should be considered cost-recovery charges.

We expect the Task Force to begin in January 2019 and to publish its final conclusions by May 2019. Depending on the outcome of the work, we expect that the ESO or other parties could take forward appropriate modification proposals to effect the changes identified following the conclusion of the work, under the usual code governance process.

<sup>1</sup> <http://www.chargingfutures.com/whats-happening/access-reform-task-forces/balancing-services-charges-task-force/>

<sup>2</sup> <https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-minded-decision-and-draft-impact-assessment>

We will consider the report from the Task Force carefully in the context of the TCR and the responses to the TCR consultation we are publishing today. This will include consideration of the relationship with any potential changes to the balancing services embedded benefits. We expect the conclusions of the Task Force to be available ahead of our final decision on the TCR.

Depending on the outcome of the Balancing Services Task Force, CMP308 may have the potential to contribute to taking forward its conclusions. But, while the Task Force is progressing its work, we think CMP308 workgroup members (and respondents to industry consultations) could be more effectively deployed in supporting the work of the Task Force. Therefore, it is our view that work on CMP308 should not progress, at least until the conclusions of the Balancing Services Charges Task Force are published. We urge the Proposer and CUSC Panel to consider this.

We are aware of other potential modification proposals that relate to balancing services charges. We would encourage parties considering raising such proposals to first engage with the work of the Task Force. The Task Force will provide a single focus and be less resource intensive for those wishing to contribute to the future direction of balancing services charges, before further modification proposals are raised.

Yours sincerely,

**Andy Burgess**  
**Deputy Director, Charging & Access**