

Rt Hon Greg Clark MP

1 Victoria Street

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4th February 2019

Industry response to Ofgem's Targeted Charging Review Consultation

Secretary of State

As an industry and collective group of trade associations we have a shared objective to incentivise flexibility and realise consumer benefits. While we recognise that the charging reforms are intending to level the playing field amongst all market participants through effective charging signals, some changes could prove damaging to the development of flexibility and low carbon generation within the system.

Following the Ofgem Targeted Charging Review Consultation we have collectively identified significant issues with the decision by Ofgem to fix residual charges before implementing reform to forward charges. The issue we have identified is the timing of reform for residual and the forward-looking elements would result in a year or two with limited network benefits for flexibility and storage, as reform for forward charging is planned to come in later. Decoupling the targeted charging review from the forward-looking review leaves a big gap in the market, which is very destabilising for our industries. Further, the proposal to extend Generation BSUoS to distributed generation is unexpected and could not have been foreseen from the outcome of the removal of the TNUoS embedded benefit or the initial Targeted Charging Review documents. The inability for industry to respond will be exacerbated by implementing it in April 2020 – leaving industry less than a year from the final decision.

We view these decisions as contradictory to Government's ambition to decarbonise the energy system and create a market for flexibility. Particularly, we are concerned the Targeted Charging Review is misaligned with Government plans to achieve a more flexible and low carbon energy system under the Smart Systems and Flexibility Plan.

We are calling for urgent action to review all elements of the charging system and implement these changes at the same time, providing market certainty for continued investment in the market.

Kind regards

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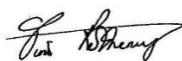
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