

Ofgem update on charging-related work

1. Targeted Charging Review

1.1. During spring 2017, Ofgem consulted on a Targeted Charging Review (TCR). It thinks that the current way the 'residual' charges are applied could lead to potentially detrimental differences in costs for different groups of consumers, and inefficient investment decisions resulting in increasing costs for consumers overall.

1.2. The consultation proposed a Significant Code Review (SCR) to consider:

- whether changes to the residual charges would be in the interests of consumers
- how residual charges could be changed to better promote the interests of consumers
- whether changes are needed to the current charging arrangements for smaller embedded generation, and when any such changes should be implemented
- whether any changes to the residual charging arrangements are needed before the completion of its proposed SCR, and when any such changes should be implemented.

1.3. The consultation included proposed principles to guide Ofgem in carrying out a potential SCR. Ofgem also set out its views on some changes to network charges for storage that it thought would best be taken forward by industry.

1.4. The consultation has closed and Ofgem has decided that an SCR should be launched in the summer. The launch document will include details of the scope of the SCR.

2. Future-focussed strategy

2.1. Ofgem has been reviewing the forward-looking charging arrangements as part of its future-focussed strategy work. While it has not decided whether changes to these arrangements are needed, it intends to set out what it proposes to do in this area shortly.

3. Charging Coordination Group

3.1. Ofgem thinks that the wider charging review work that is in progress should be overseen by a Charging Coordination Group (CCG). This includes the Ofgem-led work (described above) and the industry-led work, such as that under the ENA Open Networks Charging Workstream. A higher level of coordination will help steer the complex cross-code issues and will provide a forum for stakeholders to meaningfully engage in policy development

3.2. An update from the Open Networks Charging Workstream will help inform the CCG's coordination of these charging reviews. Ofgem is planning to set up the CCG by the autumn.