

Michael Gibbons  
BSC Panel Chair  
Elexon  
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Date: 23 December 2020

Dear Michael,

Thank you for your letter dated 20 November 2020, conveying the BSC Panel concerns about the Targeted Charging Review (TCR) timelines and implementation approach. Jonathan asked me, as the Deputy Director leading in this area, to consider these concerns and to respond to you on the points raised in detail.

I understand that Elexon, the ENA and the ESO have taken actions in recent weeks that have provided industry (including the BSC Panel) with additional information regarding the implementation of the project. In particular, I am aware that Elexon presented a testing plan at the BSC Panel meeting on December 10<sup>th</sup>, which provided much more detail regarding their risk mitigation plans. Overall, these developments have provided us with assurances that risks are being actively managed and contingency plans are in place, to deliver the TCR according to the established timelines.

Our priority is to see industry deliver these reforms, on time, according to our Directions from 12 months ago, to deliver significant benefits for energy consumers and implement decisions that have been signalled to industry over the course of several years.

We will continue to monitor the situation and will work with relevant parties if and when we perceive a need to change course.

### **Our view on the implementation project and risk management approach**

We have been an observer of the TCR Implementation Steering Group ('the Steering Group') throughout the year. Risks have been actively managed through this group, which led to the escalation of the challenges associated with the Line Loss Factor Class (LLFC) changes earlier this year. To date, we have seen risks raised and mitigations put in place. We have not been informed at any stage that the TCR cannot be implemented on time.

Regarding the details of the change project itself, it is for Elexon to assess specific risks to settlement and put in place plans to mitigate them. In the event that Elexon believes that the risks will reasonably prevent them from meeting the required timelines for the TCR, they should communicate this directly to the Licensees and Ofgem. This would enable us to consider what the appropriate actions should be.

Regarding the 2022 implementation of LLFC changes, and following your letter to us, we have been shown a practical plan which is now in place for Elexon to make the changes required. Elexon's plan includes the testing of industry data and the changes to Market Domain Data (MDD) required for these reforms. Elexon have shared with us a risk assessment which has conveyed to us that these are manageable and pose a low risk to settlement. As you will be aware, the SVG panel, who have also considered the latest risk assessment have now approved all the MDD changes necessary for all DNO's.

### **Our view on level of consultation and engagement with industry stakeholders**

Your letter indicated a view from the BSC panel that there had not been enough engagement on the proposed TCR implementation timelines. Our TCR Decisions and Directions have been consistently guided by stakeholder feedback, through the multiple consultations and other interactions during the SCR and since the Decision was published.

There has also been significant stakeholder engagement and consultation since industry took over the task of managing TCR implementation and meeting our Directions. This included the development and publication of a comprehensive Project Initiation Document (PID) by the Steering Group in 2019.

Overall we are comfortable that the information stakeholders need to prepare for the TCR changes, has been made available.

Please do get in touch if you would like to discuss the concerns in more detail or if there is additional information that you think we should be considering as the project progresses.

Yours sincerely,

Andrew Self

Deputy Director, Electricity Network Access & Charging