

CUSC Workgroup Consultation Response Proforma

CMP311 Reassessment of CUSC credit requirements for Suppliers, specifically for “User Allowed Credit” as defined in Section 3, Part III section 3.27 of the CUSC

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses by **29 October 2019** to cusc.team@nationalgrideso.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Chrissie Brown at christine.brown1@nationalgrideso.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	<i>Lee Stone</i>
Company Name:	<i>E.ON</i>
Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries)	<p>For reference, the Applicable CUSC Objectives for the Use of System</p> <p>(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;</p> <p>(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;</p> <p>(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and</p> <p>(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.</p> <p><i>*Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).</i></p> <p>We recognize the challenge that NGESO is seeking to face in to, and the purpose of the modification seeking to remove potential exposure SoLR and in turn, reducing exposure to bad debt considering the number SoLR events that occurred over 2018 and 2019 to date.</p> <p>However, considering the workgroups assessment we feel it has become apparent that NGESO exposure is limited to a 2-year period following completion of all</p>

	<p>recoverable steps from the SoLR companies whereby bad debt is carried by NGESO. As Bad debt can ultimately become claimable back provided NGESO follow the Best Practice Guidelines (BPG) the cost recovery of such bad debt it carries may continue to be claimed if SoLR unsecured credit allowance facility.</p> <p>By comparison, NGESO carry SoLR debts longer than that incurred by other network companies operating in the industry (DNO's & GTs) which may need further consideration, however claiming through this process also allows for both bad debt costs incurred + any interest reasonably incurred to be claimed back.</p> <p>This means NGESOs exposure to bad debt can be recovered which in turn brings into question whether there is a defect within the CUSC to be addressed by the original modification. equally there are costs claimed back through cost recovery which will generally be passed through the end consumer by suppliers, so it is on this basis that we feel some refinement to the unsecured credit facility should be considered by the workgroup.</p>
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Standard Workgroup consultation questions

Q	Question	Response
1	Do you believe that CMP311 Original proposal (revised since originally proposed to just remove the Payment Record Sum) better facilitates the Applicable CUSC Objectives than current arrangements?	<p>No.</p> <p>The original proposal could act as a barrier to facilitating new market entrants due to a requirement to ensure an appropriate level of cash or credit cover is lodged, therefore CUSC Objective B would not be better facilitated, it could have a negative impact against this objective.</p> <p>Both potential alternative options could better facilitate all relevant CUSC objectives because they do not completely disincentivise new entrants by forcing them to source alternative credit arrangements from market entry but also make a clear cut over point as to when the removal of payment history will occur which will act as a short-term enabler for new suppliers for a short period after market entry.</p>

Q	Question	Response
2	Do you support the proposed implementation approach, both in terms of allowing at least 12 months to make arrangements and the Workgroup suggestion to commence in April with the Financial Year?	<p>No</p> <p>We agree with at least a 12 month notice period post Ofgem's decision, as suppliers will need an appropriate amount of time to find alternative secured credit cover should the removal of the payment history provision be removed.</p> <p>However, this introduces the possibility that additional credit or cash cover could need to be sourced within supplier organisations within a financial year meaning that the implementation date could have a detrimental impact on pre- set budgets within a financial year which could cause disruption to in year budget plans within the effected suppliers' businesses, all at time of significant uncertainty suppliers face within the retail market from pressure associated to other regulatory burdens.</p> <p>On this basis should CMP 311 be progressed I would suggest that the implementation date should consider being set to the start of the nearest financial year once Ofgem's decision is reached, for example, if the decision to approve is made by 01/03/2020 then implementation will be 01/04/2021, of approved on 01/05/2020 then it should be implemented on 01/04/2022.</p>
3	Do you have any other comments?	No
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No.

Specific questions for CMP311

Q	Question	Response
5	What impact do you think this modification would have on suppliers entering the market?	<p>We feel that this modification could have a detrimental impact on many existing suppliers in the market, as we perceive that the removal of payment history could create additional burdens on suppliers to ensure that they have the appropriate level of secured credit cover.</p> <p>At this point, we don't not fully understand if the removal of payment history would have a significant impact on suppliers with any size of market share, therefore we feel it would be a worthwhile exercise for NGESO to conduct further assessment on suppliers in the market to better understand what the potential effects on suppliers would be if credit ratings/credit assessments only were applicable.</p>
6	What impact do you think this modification would have on existing suppliers and what would be the cost to your business?	No comments.
7	Two potential solutions other than that Proposed have been discussed by the Workgroup, what are your views on these?	Both potential alternative options could better facilitate all relevant CUSC objectives because they do not completely disincentivise new entrants by forcing them to source alternative credit arrangements from market entry but also make a clear cut over point as to when the removal of payment history will occur which will act as a short-term enabler for new suppliers for a short period after market entry.
8	What impact do you believe this modification would have on the Consumer?	<p>We think that this modification could have detrimental impact on the consumer in the short term, as we believe that the removal of the payment history could result in existing suppliers having to seek additional security which will likely at a cost to those suppliers and those costs would most likely be recovered through consumer bills.</p> <p>Whilst there is also an argument that this modification could create additional SoLR events because some suppliers may not be able to find additional security cover it is equally plausible that these suppliers are already experiencing financial issues which is why we feel that impacts on the supply market should be better under by NGESO as per my response to Q5.</p>