

CUSC Workgroup Consultation Response Proforma**CMP345: 'Defer the additional Covid BSUoS costs'**

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 to cusc.team@nationalgrideso.com by **5pm on 3 June 2020**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

If you have any queries on the content of this consultation please contact Paul Mullen at paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
Respondent name:	David Bird
Company name:	Octopus Investments Limited (on behalf of a number of impacted industry parties)
Email address:	David.bird@octopusrenewables.com
Phone number:	07800821209

CMP345

For reference the applicable CUSC Charging objectives are:

Relevant Objective
(a) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;
(b) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);
(c) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1 *; and
(e) To promote efficiency in the implementation and administration of the CUSC arrangements

Please express your views regarding the Workgroup Consultation in the right-hand side of the table below, including your rationale.

CMP345 - Standard Workgroup Consultation questions		
1	Do you believe that the CMP345 Original Proposal better facilitates the Applicable CUSC Charging Objectives?	We do not agree that this proposal facilitates effective competition in the generation and supply of electricity. It very clearly transfers value on a permanent basis from distribution connected generators to transmission connected generators and suppliers, and as such is distortive.
2	Do you support the proposed implementation approach for CMP345?	We do not agree that the criteria for retrospective implementation to 1 May 2020 are met. The requirement that the potential for retrospective action be clearly flagged in advance cannot have been met until 20 May at the earliest.
3	Do you have any other comments?	<ul style="list-style-type: none"> - As proposed the modification would have a significant distributional impact in that it shifts the liability for BSUoS costs from generation/consumption in the period where those costs are incurred to periods where entirely different parties may be generating/consuming. As a result, distribution connected generators who would have received revenue as an 'embedded benefit' during Summer 2020 will suffer a permanent loss of that revenue – at a time when many are also experiencing dramatic reductions in revenue due to low wholesale power prices. - These additional costs have now been clearly sign-posted and forecast by NGENSO, so large and transmission connected generators have ample time to factor them in to their dispatch decisions. - If it is indeed the case that generators have hedged their input costs and so are unable to benefit from historic lows in commodity prices, then they are likely to have also fixed their revenues at a much higher level than current wholesale market prices – so should be able to close out their positions at a broadly neutral level and avoid incurring BSUoS costs by generating if to do so would be uneconomical. - Summer is a time where input costs for suppliers are traditionally much lower than the balances being received from customers – whilst the increased BSUoS costs may affect this balance and limit the ability of suppliers to build up reserves for next winter it should not be the case for suppliers with a sound business model that BSUoS costs alone threaten solvency during the summer months – rather it

		<p>should simply delay the point at which they can pass on to customers the significant reduction in their other input costs.</p> <ul style="list-style-type: none"> - If there is genuine concern that the business models of suppliers is under threat as a result of COVID this should be dealt with holistically rather through changes to specific costs which permanently transfer value away from other participants – it would be a matter for government to implement measures related to relieving the pressures of e.g. non-payment by customers. - If liquidity is a genuine problem for market participants then cost-recovery could be deferred without creating redistributions of value – i.e. participants’ liability for BSUoS can be calculated in the normal way but payment deferred for an appropriate period. This would prevent distributional impacts except to the extent participants failed before payment, in which case some form of mutualisation would be required. - This modification pre-empts the work of the second BSUoS task force which was intended to propose an enduring solution to concerns on how BSUoS costs are recovered. Given that work on the BSUoS task force has been put on hold it seems odd that a group with significantly overlapping membership is pushing ahead with related modifications at pace and with significantly less public communication (e.g. via Charging Futures) or consultation with wider industry, to supposedly remedy a perceived issue which is forecast to last a handful of months. In particular we do not agree that the purported cost recovery defect highlighted in the workgroup consultation document requires remedy in advance of the BSUoS task force deadlines. - At a time when we are hoping Government can begin to turn its attention to building a green recovery and making up for lost time on COP 26 (notwithstanding the expected delay in this) and wider decarbonisation needs, it would seem very odd indeed for industry to push through a change which will have a disproportionately negative impact on smaller renewable generators.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No
Specific Workgroup Consultation Questions		
5	Do you believe it is necessary to define Covid related costs for	Click or tap here to enter text.

	the purposes of BSUoS charging as a result of this Modification proposal? Please provide rationale to support your response.	
6	Do you agree with the Original Proposal (and each of the potential alternatives) as to what constitutes Covid related costs? Please provide rationale to support your response.	Click or tap here to enter text.
7	Do you think any deferral of Covid costs should be i) within the 2020/2021 Charging Year only, ii) deferred to the 2021/2022 Charging Year or iii) deferred to 2022/2023 Charging Year or iv) deferred equally across the 2021/2022 and 2022/2023 Charging Years? Please provide rationale to support your response.	Any deferral of costs should be structured to limit so far as possible re-distribution of value amongst parties. As such any deferral should be within the 2020/21 Charging Year only, unless the deferral method is via payment deferral rather than deferral of allocating the costs to parties.
8	Do you consider it appropriate to smear the entire deferred Covid costs equally across the whole of a Charging Year e.g. 2021/2022 or target the deferred Covid costs to the equivalent Settlement Periods in 2020/21 in which Covid costs arose? If the charge was to be applied equally across a Charging Year should that be on a per Settlement period only basis or on a per MWh basis? Please provide rationale to support your response.	No comment
9	Do you consider it appropriate to codify a capped figure for the Covid costs to be deferred? If so, based on the information available, what value do you believe it should be? Please	No comment.

	provide rationale to support your response.	
10	Do you agree that the period to be covered for deferral of Covid costs should be limited to those incurred up to 31 August 2020?	Noting we do not agree with the proposal at all, should it proceed then any period covered by a deferral should be the shortest period possible to avoid market collapse.
11	Do you think the impact of the Covid pandemic on BSUoS is sufficient to justify a different approach to charging BSUoS in advance of the second BSUoS Taskforce completing its work? Bearing in mind the short timescale for implementation do you agree with the approach in the option outlined above? Please provide a rationale with your response.	We do not think that the impact of Covid on BSUoS requires separate urgent action – any moves to provide financial support to particular sub-sectors of the industry at the cost of other participants or consumers should be managed centrally by government, not self-administered by industry. We do not agree that the impact justifies second-guessing the work of the 2 nd BSUoS task force, in a way which limits opportunity for consultation and consideration.
12	Do you agree with the financing options set out above? Is there another way? Please provide rationale to support your response.	No comment.
13	Do you agree with the impacts we have set out in this Workgroup Consultation? Have we missed any impacted parties? Please provide details to support your response.	No comment.