

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
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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?	<p>A qualified yes. We would only support this proposal if the financing cost applied by the ESO was set at zero.</p> <p>If the financing cost applied by the ESO was as set out in the CUSC (8.1%) we would not support this modification as it would cost the industry tens of millions of pound in financing cost and this cost would be faced by all parties irrespective of need.</p>
2	Do you support the proposed implementation approach for CMP345?	If it was implemented it should be from the decision date of the modification this would ensure an orderly market is maintained.
3	Do you have any other comments?	<p>The issue of financing cost, mutualisation and security are key to this and other the potential alternative solutions.</p> <p>We would NOT expect any solution to either cost existing BSUoS payers addition funds or increase the mutualisation risk associated with failed suppliers or generation.</p> <p>The additional cost associated with supporting suppliers (or generators) who have liquidity issues should not fall on existing suppliers/ generators as this will potentially lead to a cascade effect resulting in additional support needing to be put in place. The government has put in place facilities to help business during the Covid -19 pandemic. Should further support be required we would expect it to be achieved by modification of existing government support arrangements.</p> <p>Industry and Ofgem (BSUoS task force and CMP 307/8) have been looking at the various technical changes to BSUoS. Some of these would have reduced the impact of BSUoS on individual parties by adjusting the charging base or the method of collection we would hope that this modification will give renewed urgency for a solution to be found to these issue for April 2021.</p>
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 the purposes of BSUoS charging as a result of this Modification proposal? Please provide rationale to support your response.	It is helpful to identify relevant costs during low demand periods as this is the true additional Covid cost and it is only these costs that should be reallocated across all consumers in a fair way.
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.	Yes the original proposal (subject to some refinement) will identify the majority of costs associated with Covid 19
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.	<p>Subject to a zero-cost financing solution (see Q1) options that allow a longer deferral are preferred as these allow both suppliers and consumers to better budget for these unforeseen costs rather than suffering an immediate pass-through. Spreading the payment across more than one charging period clearly lessens the burden of the additional costs but may also “pollute” the costs for future consumers.</p> <p>Option that keep recovery in the same charging year do not add values as they increase the mutualisation risk whilst not offering financial relief for the 2020/21 accounting period.</p>
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.	<p>We would not support this if industry was subject to additional BSUoS costs driven by the cost to the ESO of finance. (see answer to Q7) .</p> <p>Supplier billing systems are unlikely to be able to accommodate a flat per settlement period basis to reconcile the costs. BSUoS is an established commoditised cost in supplier pricing and billings systems hence a p/MWh solution is the most cost effective and pragmatic solution.</p>

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 provide rationale to support your response.	These are issue that are being looked at by the BSUoS task force and would hope this work will continue at pace it is not appropriate for this modification as they have wider implications.
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?	Yes
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.	See 7. Ifa zero cost way of reallocating specific COVID 19 cost can be found we would support this ahead of the BSUoS taskforce concluding.
12	Do you agree with the financing options set out above? Is there another way? Please provide rationale to support your response.	We believe that none of the options deliver zero cost finance and we will only support options that do this. An alternative approach where government provide bridging support for finance should be considered in a similar way to that proposed for the deferral of additional CfD FiT costs. This may achieve a lower cost solution.
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.	The report covers most of the issue we have raise although is "light" on the issue of mutualisation and additional credit requirements for the options presented.