

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?	Yes
2	Do you support the proposed implementation approach for CMP345?	Yes
3	Do you have any other comments?	“Do Nothing” includes unintended windfall payment of large embedded benefit, principally to England & Wales embedded generators. This is not an appropriate cost signal for this trigger event.
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.	No. It is <i>preferred</i> to, but not essential. Can be approximated for the desired effect (to minimise distorting market signal of “do nothing”). The essential point is to avoid “do nothing”; to shift the disproportionate and unforecastable impact away from this year’s BSUoS, with the defect as the proposer has raised. Noting also Charging Futures Forum (CFF) Task Force with regard BSUoS for generation concluded that this charge should not send a signal; unwittingly “do nothing” risks sending perverse incentive to demand and to embedded generation in England & Wales.
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.	No disagreement.
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	Any and all options are preferable to “Do Nothing”. Noting CFF Task Force conclusions (for generation, but we believe the principles apply here for all BSUoS payers), best option is to maximise spread (minimise sharp signal) – hence option (iv) [deferred across FY21 and FY22] is best. FY = Financial Year.

	equally across the 2021/2022 and 2022/2023 Charging Years? Please provide rationale to support your response.	
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 benefit in targeting specific period. As per CFF Task Force conclusions (for generation, but we believe the principles apply here for all BSUoS payers), please maximally spread the incurred cost with the least market distortion. Hence would support spreading over two whole FYs, or as second choice spread over 1 whole FY.
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.	No specific comment on the value. Repeat that “Do nothing” should be avoided if at all possible.
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?	Make allowance for review if necessary – for example, a reopener in the event of a second wave of pandemic infection and/or other return to a strict lockdown.
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.	Yes, urgent and necessary in light of NGENSO’s revised forecast BSUoS, with the actual values coming in a matter of days now. Also unreasonable to pressure BSUoS Task Force to early or rushed conclusion if this can be dealt with in parallel.

12	Do you agree with the financing options set out above? Is there another way? Please provide rationale to support your response.	additional row for: “Cost Deferral 2 – shared across 2021/22 and 2022/23” ..”Recovered equally across settlement periods in 2021/22 and 2022/23”.
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.	Broadly, Yes. Impact to “Generators” is principally transmission-connected generators, but also embedded generators in Scotland, which due to the Trading Unit Delivery Mode factor are likely to be in a similar situation to transmission-connected generation