

**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](mailto: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](mailto:paul.j.mullen@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto: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.**

<b>CMP345 - Standard Workgroup Consultation questions</b>		
1	Do you believe that the CMP345 Original Proposal better facilitates the Applicable CUSC Charging Objectives?	No. The proposal is set out is to deal with a specific event creating a deferral of the BSUoS charge. The deferral is not equal across all affected parties and therefore does not improve the competition within the market.
2	Do you support the proposed implementation approach for CMP345?	No, although we fully support a review of the increased BSUoS charging in Summer 20, the current proposal will remove rather than defer any additional BSUoS embedded benefit. The implications of CMP333, the removal of the embedded benefits from April 21 are not fully reviewed nor proposals set out how this deferral of additional embedded benefit would be implemented in parity with the additional BSUoS charges.
3	Do you have any other comments?	<p>The work group consultation “Interactions” section states that the proposal does not have any impact on any ongoing SCR or other significant industry change, we believe that this is incorrect. In order for BSUoS to be reduced in S20 and recovered in later charging years as per the original proposal we believe that CMP333 would need to be delayed by the corresponding timeframe which the recovery of the additional S20 BSUoS is defined. Without delaying CMP333 the BSUoS benefit is unduly removed. We see two options that allow the full recovery of BSUoS as would be achieved if the COVID impact did not occur:</p> <ol style="list-style-type: none"> <li>1) Delay CMP 333 by the same timeframe in which the additional BSUoS is to be recovered if in later charging years:</li> <li>2) Adopt the within-year deferral of BSUoS which results in CMP 333 not impacting the full recovery of BSUoS to all parties:</li> </ol> <p>Removing any additional embedded benefit with no proposal for deferral may also result in negative market actions through embedded generators seeking higher value recovery through the COVID created ancillary services like ODFM.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No, given the timeframe placed upon this modification and the fact that Ofgem have granted the status of urgency we believe that Ofgem should clearly indicate

		their position on CMP 333 which materially impacts embedded generators recommendations on CMP345.
<b>Specific Workgroup Consultation Questions</b>		
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, we believe that the alternative fixed amount approach which has been highlighted as easier to implement delivers the desired outcomes. Due to the short timeframe and resource already stretched through wider impacts of COVID across all business we support the ESO position that this is more practical in fulfilling the objective raised.
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.	We believe that COVID related costs are not required to be defined as per question 5.
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>In the current situation with CMP333 being implemented in April 21 we believe that any deferral must be kept within year, 20/21 only.</p> <p>Should Ofgem agree to delay the implementation of CMP333 to align with the deferral timeframe we would support this deferral to 21/22.</p> <p>We do not support the deferral to 22/23. Given the uncertainty in the forward market we believe that further deferrals pose a significant risk to cliff edge scenarios where generators, supply companies and the consumer could be exposed to greater costs.</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 support smearing the entire deferred costs across a full charging year and on a settlement period basis as we agree this will remove:</p> <ol style="list-style-type: none"> <li>1) Significant additional costs across specific periods:</li> <li>2) Avoidance / Gaming.</li> </ol>

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.	The ESO has stated that in order to agree financing a clear cap is required. We would support the ESO within year cost deferral fixed variation proposal of £62.5m per month with total support level of £250m. To include any extension to the deferral time frame a total value of c.£375m should be sufficient and reduce financing costs borne by NGESO.
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?	If Ofgem delay CMP 333 to allow the fair distribution of the foregone embedded benefit, then we see no reason as to why an initial period upto 31 August could be reviewed and extended if warranted. If embedded benefits are to be removed April 21, the within year cost deferral option would be our position limiting the deferral period to 31 <sup>st</sup> August 2020.
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.	<p>COVID has had an immediate impact which is justified in being addressed. It would be detrimental to the overall system user and consumer to not address this in the time frame set out.</p> <p>It is critical however that all parties charges and payments are addressed equally. The impact of CMP 333 requires a fair resolution for any CMP345 resolution that recovers BSUoS post April 2021.</p>
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.	The workgroup consultation does not highlight sufficiently or propose solutions to the foregone embedded benefit should the recovery of the additional BSUoS occur post April 2021 and CMP333 implementation date be unchanged. The consultation appears entirely focused on transmission BSUoS charges. The impact of the foregone embedded benefit is of the same magnitude to the embedded generation community as the BSUoS charge to the Transmission generation community. The foregone embedded benefit is recognised by the workgroup and highlighted in the

“Other Wider Considerations” section of the consultation but again no proposals for solutions are offered.

Although some embedded generators will see a windfall situation through increased BSUoS payments, many companies including Ventient Energy have varied portfolios where BSUoS risk is mitigated through having embedded sites with positive BSUoS payments offsetting transmission and negative demand embedded generation sites with BSUoS charges.

We ask the work group and Ofgem to seek fair resolution for all parties impacted through any deferral scheme and confirm that all benefits and charges will be resolved with equal consideration.