

Alternative Request Proposal Form		At what stage is this document in the process?
<h1>CMP345 WACM5:</h1> <p>Cost Deferral to 2022/23 and change the amount of support being offered to £250m.</p>		<div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="display: flex; align-items: center; margin-bottom: 10px;"> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; margin-right: 10px;">01</div> <div style="background-color: #00a651; color: white; padding: 5px; border-radius: 5px;">Proposed Alternative</div> </div> <div style="display: flex; align-items: center;"> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; margin-right: 10px;">02</div> <div style="border: 1px solid black; padding: 5px; border-radius: 5px;">Proposed Workgroup Alternative</div> </div> </div>
<p>Purpose of Alternative: Cost Deferral to 2022/23. This alternative proposes to change the amount of support being offered to £250m and proposes a simpler approach to identifying Covid-19 related costs. It also delays recovery the Covid-19 related cost to 2022/23, ultimately for the greater benefit of consumers.</p>		
<p>Date submitted to Code Administrator: 03/06/2020</p>		
<p>You are: A Workgroup Member</p>		
<p>Workgroup vote outcome: Formal alternative</p>		

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1 Alternative proposed solution for workgroup review

An alternative cost deferral option:

Defer a fixed £250m of BSUoS costs between 1 June and 30 September 2020, as a proxy for Covid-19 related costs. This would be done on an equal basis per applicable settlement day. Then recover those costs during the charging year beginning 1 April 2022 spread over all settlement periods.

2 Difference between this proposal and Original

The key differences to the Original proposal are:

- Fixed level of support set at £250m, instead of a capped level of support of £500m – a more equitable sharing of the Covid-19 related costs.
- Not necessary to separately identify Covid-19 related actions – easier to implement.
- Deferred costs recovered in 2022/23 rather than 2021/22 – a more complete solution to allow Parties to reflect the costs in future contracts (and so reduces further increases to risk premia) as contracts go beyond 2021/22.
- Implementation 1 June, or first billable day after Ofgem decision – easier to implement.

3 Justification for alternative proposal against CUSC Objectives

Impact of the modification on the Applicable CUSC Objectives (Standard):

Relevant Objective	Identified impact
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;	Positive impact
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);	Positive impact
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;	Positive impact
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	None
e. Promoting efficiency in the implementation and administration of the CUSC arrangements.	None

*Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

Applicable Objective (a): Positive Impact

This proposal will mitigate against the exceptional losses likely to be incurred by Parties as a result of Covid-19. Deferring costs to a future period will allow Parties to reflect these exceptional costs into future tariff offerings. Such protection, for exceptional risks, that are high impact and low probability, such as Covid-19, will reduce the level of risk that will need to be factored into future tariffs and facilitate effective competition in the generation and supply of electricity. In our view this will, as a result, lower the long-term costs to consumers.

Applicable Objective (b): Positive Impact

The exceptionally high BSUoS prices would provide a signal to reduce demand or increase embedded generation, potentially increasing the costs of balancing the system. By removing costs from high BSUoS periods and recovering them in a smeared fashion in a future year, the proposal reduces this signal. Therefore, cost reflectivity is improved by reducing the impact of the inappropriate signal in the current baseline charging approach.

Applicable Objective (c): Positive Impact

The proposal takes account of the impact of the Covid-19 event on the ESO.

4 Impacts and Other Considerations

This proposal will impact the CUSC (Section 14) and in particular the processes of calculating and billing BSUoS.

Consumer Impacts

We believe this proposal will have a positive impact on consumers as it ensures that the BSUoS effects of Covid-19 are recovered in a fair, equitable and manageable way that avoids undue volatility that impacts on competition. This is in the long-term interests of consumers as it should avoid the need for enduring increases to risk premia and preserves a well-functioning market.

5 Implementation

1 June or first billable day after Ofgem decision.

6 Legal Text

To be developed.