

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>No.</p> <p>In particular it will distort competition by creating windfall gains and losses (objective (a)).</p> <p>The company notes that, given the BSUoS methodology, this modification is also negative to objective (b) as it reduces cost reflectivity and creates temporal distortion, which seems to be to the detriment of some customers.</p> <p>Object (c) is not clear, as Covid is not a change to the business of system balancing, but to the nature of the system the ESO must balance. High BSUoS (as a result of low demand) was already a market trend, so we would see this change as not taking account of developments so much as trying to avoid the developments.</p> <p>Finally, this seems to be an expensive mod to implement, with the ESO having to raise debt and then carry that for over a year (until March 2022). This is likely to impact their perceived value by shareholders as well as adding costs to the market. Without robust evidence that the benefits outweigh the costs, this is negative against objective (e) as well.</p>
2	Do you support the proposed implementation approach for CMP345?	No
3	Do you have any other comments?	<p>It is not obvious that the “defect” is a defect in the CUSC, but rather an issue with the way that suppliers have contracted with their customers and/or generators have hedged, making them unable to increase their prices in line with their costs.</p> <p>It is not obvious the suppliers are in need of a repayment holiday. Ofgem have already outlined a separate process in order to support energy suppliers and shippers who are facing cashflow issues as a result of Covid. Therefore, the company feels that any issues to suppliers should be dealt with by this process and not by CMP345.</p>
4	Do you wish to raise a Workgroup Consultation	No – the company does not believe that any changes should be made.

	Alternative Request for the Workgroup to consider?	
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.	Yes – the company believes that Covid costs are the nuclear contract(s) and the use of ODFM. These are the two contracts that are genuinely new to the management of the system. However, we do not believe these costs need to be carved out for deferral into the next charging year.
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 – see above answer to 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.	The company does not think there should be any deferral of Covid costs. If any deferral of costs were to take place, we are strongly in favour of these remaining within the 2020/21 charging year. Any other solution opens the market up to a wide variety of unintended consequences, including perhaps a revisit of the issue with a new mod to manage the impact of high BSUoS next year, exacerbated by this mod.
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.	To reiterate, the company is of the view that these charges should be collected this charging year – in no way should they be deferred to a future charging year, for the reasons outlined above.

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 company has no comments for this section
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?	No – the company does not believe there should be a deferral of Covid costs.
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.	No – the company feels this should have been considered as part of the BSUoS Task Force. The company does not believe there should be a deferral of Covid costs.
12	Do you agree with the financing options set out above? Is there another way? Please provide rationale to support your response.	No – the Company does not believe that it is appropriate to ask for the ESO (and ultimately consumers) to fund the cost of deferrals for other private entities.
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 company has no comments for this section