

CUSC Code Administrator Consultation Response Proforma**CMP345 'Defer the additional Covid -19 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 **3pm on 12 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 Panel.

If you have any queries on the content of this consultation, please contact Paul Mullen paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
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For reference the applicable CUSC objectives are:

- 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;*
- 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);*
- 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;*
- 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*
- Promoting efficiency in the implementation and administration of the CUSC arrangements.*

**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).*

Please express your views in the right-hand side of the table below, including your rationale.

Standard Code Administrator Consultation questions		
1	Do you believe that the CMP345 Original solution, WACM1, WACM2, WACM3, WACM4, WACM5, WACM6, WACM7 or WACM8 better facilitates the Applicable CUSC Objectives?	<p>We do believe that there are merits associated with WACM2 in delivering CUSC objectives through the avoidance of excessive spikes through the £15 cap and does not overstate the amount of costs that should be recovered under this modification.</p> <p>However, we believe that the benefits under WACM5 of deferring costs until 2022/23 provides the most efficient solution given lower hedge levels generators will have traded for those periods. It provides transparency to all CUSC parties and removes the burden of such a price shock to market participants, allowing time to absorb the costs under discussion.</p> <p>We are of the opinion that any of WACM1,3,4,6,& 7 go against the CUSC objectives by effectively creating the same issue which resulted in this code modification. Any within year recovery will significantly impact parties who will already have hedged their forward position on the basis of forecast BSUoS (excluding COVID impact). In order to minimise disruption to the market and inefficient signals, the deferral of any COVID19 related costs must be recovered at least 2 seasons ahead.</p>
2	Do you support the proposed implementation approach?	<p>We do not. We believe that the approach should only be implemented and effective from the date of the Ofgem decision.</p> <p>We do not support the back-dating of any deferral to 1 May (nor to 1 June) for reasons stated in previous consultation response.</p> <p>Any deferral should not be back dated. May costs (and June) have and will have been incurred by the time of the Ofgem decision. Parties will have taken account of these BSUoS costs in their dispatch be it they may have bought back positions which were previously in the money (negative churn). However, any adjustment will further create issues in their dispatch decision making.</p>

		One could argue that a back dating to 1 st June is acceptable as parties have been aware of the potential deferral, however given the level of these costs is unknown we would suggest no retrospective adjustment.
3	Do you have any other comments?	InterGen continue to have concerns around even by limiting the deferral amount to £250m there is a danger of over recovery leading to significantly reduced BSUoS which could also create distortions should demand return more quickly. The ESO forecast was a worst case and is heavily impacted by weather. The £250m deferral must be clearly articulated to market during July/August as individuals must see an accurate BSUoS forecast accounting for this adjustment on a HH basis. Currently it is only the monthly forecasts that have been provided.