

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 |
|-------------------------|----------------------------|
| Respondent name: | Garry Pickering |
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CMP345

For reference the applicable CUSC Charging objectives are:

| Relevant Objective |
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| (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

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| 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 subject to deferral approach below |
| 3 | Do you have any other comments? | Click or tap here to enter text. |
| 4 | Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider? | Click or tap here to enter text. |

Specific Workgroup Consultation Questions

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| 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. | To the degree currently proposed. The order of magnitude being key rather than absolute precision in the circumstances. |
| 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. | Yes. Workgroup consultation documents provide adequate commentary of the appropriateness and level of (un)certainity. |
| 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. | iv) to minimise the cost per MWh. Suppliers and generators (to a lesser degree) are price takers based on ESO balancing procurement strategy under Authority approval and as such it is appropriate to minimise the impact on suppliers and generators and ultimately the impact on end consumers. |

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| 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 obvious best method, and would therefore be guided by ESO and adopt simplest implementation |
| 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 proposer's rationale appears to be as an aid for funding arrangements and would not see this as a reason to codify in CUSC. The risk of exceeding a £500m funding cap is likely to become evident with sufficient notice for an efficient funding extension to be agreed |
| 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? | It feels appropriate at this point in time. Should there be further incidences of exceptional costs as a result of Covid, there would be precedent for intervention but perhaps indicates a wider review of Balancing Procurement |
| 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. | The Taskforce should take learnings from the volatility caused by a combination of the methodology and current events and perhaps extend its scope but the magnitude of impact justifies an immediate assessment. |
| 12 | Do you agree with the financing options set out above? Is there another way? Please provide | Financing approach set out in the workgroup consultation document appear appropriate |

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| | rationale to support your response. | |
| 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. | Agree |