

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	<p>Do you believe that the CMP345 Original Proposal better facilitates the Applicable CUSC Charging Objectives?</p> <p>No.</p> <p>A – This amounts to a late-notice changing of the rules which will necessarily create winners and losers across the industry. This modification will create a detriment to a number of embedded generators by retroactively withdrawing a significant portion of an important revenue stream from them (BSUoS benefit). This comes shortly after cuts to other embedded benefits.</p> <p>Conversely, transmission-connected generators (and those with BELLA and BEGA arrangements) will see a retroactive cost removed from them, creating a windfall.</p> <p>Where large generators are optimising to the short term market, they will include the covid-uplifted BSUoS cost in their pricing decisions. If this cost is subsequently removed, this will result in suppliers having already paid for a cost which then doesn't materialise for the generators (creating the windfall). The subsequent deferral of the costs to the next charging year will once again result in generators including the deferred charge into their prices, and suppliers will have to pay for it a second time.</p> <p>Whether or not the workgroup believes the prevailing BSUoS embedded benefit arrangement is appropriate is outside the scope of this modification, yet this modification clearly serves to circumvent the existing processes in place to alter BSUoS benefit.</p> <p>Any modification that creates a retroactive removal of payments from one part of the market risks disproportionately undermining investor confidence in that part of the market.</p>
2	<p>Do you support the proposed implementation approach for CMP345?</p> <p>No.</p> <p>This modification seeks to allow market participants to consider unforeseeable developments into their operating models. However, by suggesting that this change should be backdated to prior to the authority decision, this means those market participants that are sufficiently nimble to respond to the changing environment have their position undermined by this, a different unforeseeable development.</p>

3	Do you have any other comments?	It is not clear that any consideration has been given to the impact on carbon emissions of this change. Altering the regulatory regime to the detriment of smaller low-carbon generation risks undermining investor confidence, and so threatening the transition to net-zero.
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		
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.	Click or tap here to enter text.
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.	Click or tap here to enter text.
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.	Click or tap here to enter text.
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	Click or tap here to enter text.

	should that be on a per Settlement period only basis or on a per MWh basis? Please provide rationale to support your response.	
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.	Click or tap here to enter text.
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?	Click or tap here to enter text.
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.	Click or tap here to enter text.
12	Do you agree with the financing options set out above? Is there another way? Please provide rationale to support your response.	Click or tap here to enter text.
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.	It is not clear that any consideration has been given to the impact on carbon emissions of this change.