

Alternative Request Proposal Form		At what stage is this document in the process?				
<h1>CMP345 WACM6:</h1> <p>Extended Payment Terms (5 months) for 30% BSUoS Charges</p>		<table border="1"><tr><td>01</td><td>Proposed Alternative</td></tr><tr><td>02</td><td>Proposed Workgroup Alternative</td></tr></table>	01	Proposed Alternative	02	Proposed Workgroup Alternative
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<p>Purpose of Alternative: The Original CMP345 solution will be difficult for the ESO to implement and will have unintended consequences on the industry by adjusting BSUoS prices over multiple years. This alternative is intended to be a simpler solution whereby BSUoS prices remain unaffected and the ESO provide extended payment terms for the additional BSUoS charges as a result of Covid-19 to support cash flow of industry parties.</p>						
<p>Date submitted to Code Administrator: 03/06/20</p> <p>You are: A Workgroup member or member(s)</p> <p>Workgroup vote outcome: Formal alternative</p>						

Contents		 Any questions?
1 Alternative proposed solution for workgroup review	2	Contact: Code Administrator
2 Difference between this proposal and Original	4	 email address
3 Justification for alternative proposal against CUSC Objectives	4	 telephone
4 Impacts and Other Considerations	5	Alternative Proposer(s): Jenny Doherty & Grahame Neale
5 Implementation	6	
6 Legal Text	6	 jennifer.doherty@nationalgrideso.com & Grahame.Neale@nationalgrideso.com
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1 Alternative proposed solution for workgroup review

The Original CMP345 solution will be difficult for the ESO to implement and will have unintended consequences on the industry by adjusting BSUoS prices over multiple years. This alternative is intended to be a simpler solution whereby BSUoS prices remain unaffected and the ESO provide extended payment terms for the additional BSUoS charges as a result of Covid-19 to support cash flow of industry parties. For the avoidance of doubt;

- Parties will still be liable for the full BSUoS value but when payment is due will be revised.
- BSUoS credits (i.e. payments from ESO to parties) will be paid in full as-is and will not be affected by this alternative proposal.

Separating “Covid BSUoS” costs from “normal BSUoS” costs

Forecasting of the expected impact of Covid-19 on BSUoS is extremely difficult and highly likely to be incorrect as discussed in the BSUoS explainer document circulated to the workgroup by the ESO. As such, the intention is to use an assumption that 30% of all BSUoS costs between June 2020 and September 2020 are as a result of Covid-19 and therefore classed as “Covid BSUoS”; whilst the remaining 70% will therefore be “normal BSUoS”.

Whilst this won't be accurate at a Settlement Period level, the intention is that this is broadly accurate across a longer period of time. This number will be fixed ex-ante, and not change per settlement period.

This alternative will therefore result in 2 payments;

1. Equal to 70% of BSUoS (i.e. “Normal BSUoS”) being paid as-is and;
2. Equal to 30% of BSUoS (i.e. “Covid BSUoS”) being paid on extended payment terms (subject to the sections below).

Eligibility for Support

All BSUoS liable parties will be eligible to request extended payment terms for “Covid BSUoS” from the ESO however this will be on a ‘opt in’ basis. This ‘opt in’ request will need to be in writing from a Finance Director, Commercial Director or equivalent.

Any requests to ‘opt in’ by 5pm Tuesday 26th June 2020 will be effective from 8th June 2020. Requests after this date will be subject to the support from 3 working days after the request is received until 5pm Monday 28th September 2020.

Cumulative amount of ESO support

The amount of support provided by the ESO for “Covid BSUoS” will be capped to a cumulative total of £300m across all BSUoS liable parties. This support will be allocated on a first come first served basis to daily BSUoS liability.

If the cap on support is reached, the support scheme will be closed and BSUoS (both “Normal BSUoS” and “Covid BSUoS”) will need to be paid in full by all parties (including those who have opted in) in line with the standard payment terms from the following calendar day. The ESO will publish and update the following information on it's website on a weekly basis to inform industry;

1. Amount of the £300m cap used and amount available to be used
2. Value of support used during the previous week.

Duration of Support

Payment terms for “Normal BSUoS” invoices and those who do not opt in will remain unchanged. Payment terms for “Covid BSUoS” invoices will be extended as follows;

1. Up to 3 calendar days – 0% interest rate applicable as this aligns with current payment terms.
2. 4 to 150 days – 8.1% interest rate applicable based on the standard CUSC provisions for late payment of invoices (see CUSC section 6.6.6).

Cost of funding, facility fees, cost of implementation are all NPV neutral to ESO. The costs will either be deducted from interest if sufficient interest cost recovered, or recovered via some other industry mechanism if interest insufficient.

Any incremental interest earned over and above the ESO cost of implementing the support will deducted off BSUoS costs in 2021/22

This support mechanism will continue to be provided (subject to the cap) by the ESO until the earlier of;

1. A CUSC modification is approved by the Authority removing the provisions, or
2. 30th September 2020 – as by this date, if Covid is still prevalent, industry parties will have had opportunity to determine how to recover “Covid BSUoS” costs and it will ensure payment of “Covid BSUoS” in the same financial year it is incurred.

2 Difference between this proposal and Original

This alternative proposal is different from the original proposal in a number of ways including;

- Ensuring that the BSUoS methodology and BSUoS prices faced by industry are unchanged and not affected by distortions associated with moving costs.
- The value of the support provided by the ESO is different
- How the support will be repaid by industry
- Associated timescales for repaying the support are shorter with the associated consumer savings (due to lower financing costs).

3 Justification for alternative proposal against CUSC Objectives

Impact of the modification on the Applicable CUSC Objectives (Charging):	
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
(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	Neutral

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;	Positive
(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	Neutral
(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Positive
*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).	

This alternative proposal has the following impact against the CUSC Applicable Objectives (ACOs) compared to the Baseline;

- a) This proposal is positive against ACO A as it will ensure that those BSUoS liable parties that face unexpectedly high BSUoS charges as a result of Covid have a way to mitigate the impact on their businesses in the short-term (via extended payment terms) so that they can enact strategies to pay the BSUoS liability in the longer-term whilst avoiding any market distortion associated with changing the BSUoS price or methodology. It also ensures that effective competition in generation and supply is maintained by focussing this support to those companies who are least able to face this short-term shock to BSUoS prices and so allow them to keep trading in the longer-term, promoting competition.
- b) This proposal is neutral against ACO B
- c) This proposal is positive against ACO C as it will ensure the costs faced by the transmission licensee is accurately reflected to industry via the charging methodology
- d) This proposal is neutral against ACO D
- e) This proposal is positive against ACO E as it provides the support required by industry (as discussed in ACO A) without the need to change the BSUoS charging methodology or raise subsequent CUSC modifications.

4 Impacts and Other Considerations

This proposal has been designed to minimise any impact on processes, systems and codes. It will have any impact on the ESO's finance teams as they will need to manage the amount of "Covid BSUoS" support provided and update industry accordingly

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 risk to market participants or the consumer by providing support to companies who need it for a limited time.

5 Implementation

Implementation will be as per Section 1 of this document.

6 Legal Text

To be developed by ESO