

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?	Not answered
2	Do you support the proposed implementation approach for CMP345?	Yes, including for the proposed adjustment process for costs incurred May 1-31 st .
3	Do you have any other comments?	Regarding I&C demand. I&C demand is lower, but still present as baseload overnight & at weekends. Outsize BSUoS costs (which can be qualitatively expected if not accurately forecast) at high renewables/low demand are diluting and at times reversing the signal to shift power consumption to low system demand periods – and therefore adding to system cost. <u>This is happening now.</u>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No
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.	Not answered.
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.	Not answered.
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?	The relative effect (neglecting financing costs) of the differed costs becomes less as the cost is spread across a longer period. Deferment within year provides less mitigation against the issues raised by the original modification compared to the 2021/22 or later options.

	Please provide rationale to support your response.	
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.	<p>Applying costs to individual SPs in future years creates a known, secondary, additional market price component. Exposed parties (including some I&C) will account for this known cost in operational planning. There will be a consequent distortive effect on the operation of other power markets, including superposition of high BSUoS on future high BSUoS SPs, further incentivising consumption to move away from low system demand periods.</p> <p>The cost should be applied equally across all SPs in the period chosen for recovery. i.e. the cost per MWh consumed is equal in every period and not greater at low system demand. As per the above rationale.</p>
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.	Not answered.
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?	This is reasonable, given system demand naturally rises at the end of the summer.
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.	<p>Yes.</p> <p>Whilst recognising this does not address the cost deferment which is the main objective of the mod – any movement away from the current ‘opposite’ price signal which BSUoS gives to demand, vs. the system desired response, is supportable on principle.</p> <p>Ideally this would be implemented in parallel with cost deferment.</p>
12	Do you agree with the financing options set out above? Is there another way? Please provide	Not answered

	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 there will be a mixed picture amongst consumers, however the excess BSUoS cost as forecast is; i) Large (+ against a lower demand base), ii) Not reasonably forecastable & iii) Occurring within year with limited/no ability to budget.