

**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](mailto: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](mailto:paul.j.mullen@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com).

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

- 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. *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  | <p>Do you believe that the CMP345 Original solution, WACM1, WACM2, WACM3, WACM4, WACM5, WACM6, WACM7 or WACM8 better facilitates the Applicable CUSC Objectives?</p> | <p>No.</p> <p>FGG does not believe that any of the proposals are an improvement over the baseline, though we continue to believe that the BSUoS Task Force should be reconvened and asked to find a solution to the issues around BSUoS as quickly as possible.</p> <p>Whilst we understand the issues that suppliers are facing, we do not believe that moving costs between years, and therefore parties, better fulfils the relevant objectives, notably it will distort competition (a), reduce cost reflectivity (b) and add to industry costs (e). The industry carrying large amount of cost into an unknown future may simply store up more problems.</p> <p>There are a number of reliefs already offered to suppliers (deferral of network charges, managed CfD costs, etc.) and we are concerned that more reliefs risk delaying supplier failures rather than allowing the suppliers time to adjust their business models. We note that some of the WACMs aim to defer costs by 2 years, suggesting adjusting customers contracts is not something that will be achieved in the next 12 months.</p> <p>The WACMs delaying payments are acceptable, but we are concerned WACM1 has no drop-dead date. However, these do create a risk of bad debts and the CUSC's lack of a formal mutualisation process should be addressed in the CUSC, not via a side agreement between NGENSO and Ofgem.</p> <p>Of the options presented, FGG believes WACM3 is the least distortionary of the options as the relief is limited to the ODFM and nuclear costs being deferred, which are clearly identifiable as covid related costs. It also brings the money back within year, limiting the impacts on competition and the risks associated with inflating BSUoS next year. We prefer WACM3 to WACM4 as we do not believe that the price of the nuclear deal should be secret, but open in the same way ODFM, and many other balancing services, are.</p> |

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| 2 | Do you support the proposed implementation approach? | <p>No.</p> <p>We believe that any changes being retrospective creates additional distortions, undermines investor confidence and introduces new problems around suppliers needing to reclaim embedded benefits from generators and rebill customers with pass through contracts. We do not support retrospection. Those WACMS which defer bills we are comfortable with the deferrals occurring from the start of June. However, we still prefer implementation to be after an Ofgem is reached. As a general rule, forward looking changes are less distortionary and tend to have less unforeseen consequences and lower implementation costs.</p> |
| 3 | Do you have any other comments?                      | <p>Yes.</p> <p>We note from the ENCC weekly webinars that demand is now rising and is currently only c9%-10% below normal levels (given other factors like weather). Therefore, the BSUoS costs should be returning to nearer normal levels and to make a significant change now may be an overreaction to a situation that may be normalising to a degree.</p>  |