

**CUSC Workgroup Consultation Response Proforma****CMP350: 'Changes to the BSUoS Covid Support Scheme'**

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 **5pm** on **27 July 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](mailto:paul.j.mullen@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com).

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**CMP350**

**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.

CMP350 - Standard Workgroup Consultation questions		
1	Do you believe that the CMP350 Original Proposal better facilitates the Applicable CUSC Charging Objectives?	<p>No.</p> <p>We note the data released by NGENSO last week that demand is 2.5-5% down in its estimation for non-Covid factors and only c5% for COVID). This further proposed change now risks overreaching the stated purpose of the mod and interfering with true market factors. This is not in accordance with objective (a).</p> <p>We think the mod is going too far and is now trying to take out the natural consequences of higher renewables penetration and lower demand owing to efficiency measures that have reduced demand. BSUoS is in the process of being reformed, but meantime the market is reacting as it should to this new market reality. We think that far from taking account of this, the mod is seeking to avoid the consequences of it, and so fails objective (c).</p> <p>We think this rushed further change, including the complexity of complying with the £100m limit, fails CUSC objective (e).</p>
2	Do you support the proposed implementation approach for CMP350?	<p>No. The point made in our response to CMP345 remains valid: <i>“the proposal is rushed and if approved would undermine confidence in the traded markets if they are subject to this short term regulatory interference. Infinis has made recent business decisions against the background of the current market rules. Having this sudden...change imposed would undermine the basis of those decisions and be seen by us and our investors as a signal of exceptionally high regulatory risk in the GB market that would negatively impact our future investment and operational decisions.”</i></p>
3	Do you have any other comments?	<p>We are very concerned that this is a reactive urgent mod raised in the commercial interests of an individual party who had the opportunity to raise this as an alternative in the CMP345 process and failed to do so. Investor confidence is damaged by this sort of repeated regulatory interference particularly in the context of all the TCR/SCR regulatory change which we are also having to accommodate.</p>

		<p>As mentioned in our CMP345 response there are many other factors (e.g. the demand threshold used for the ROC target in this compliance year) which have a great significance both for the environment and economically for parties which budget on ROC recycle as part of the ROC incentive. Why should not this equally be re-opened to adjust for the unintended consequences which market participants could not have predicted? We do not think that BSUoS should be treated as a special case and adjusted further in the way intended by this mod.</p> <p>We are a member of the Flexible Generation Group and we have contributed to and in general support the response made by that Group.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No.
<b>Specific Workgroup Consultation Questions</b>		
5	CMP350 Original proposes introducing a formal limit of £100m to the amount of Covid BSUoS Support Scheme costs which can be deferred. Do you agree that a formal limit of £100m should be introduced?	No. We think a hard limit risks creating further distortions when it is close to being reached.
6	The ESO has included some initial thoughts on how the process would work when the £100m Cap is being approached and when it is reached. Do you agree with this approach? Please provide the rationale for your response	No. As a smaller party with limited resources we may not have either the visibility and/or the capability of reacting swiftly enough and so would be disadvantaged in managing the consequences.
7	CMP345 introduced a £15/MWh cap for BSUoS. The CMP350 Original proposes to revise this cap to £5/MWh due to the increased frequency of BSUoS costs above £5/MWh. Do you think it is appropriate to revise the cap for BSUoS to below £15/MWh and if so to what value? Please provide the rationale for your response	We did not support the £15/MWh cap but accept Ofgem's decision. Now mod this risks distorting the market by adjusting BSUoS for non-Covid factors We still remain in favour of having no further changes to BSUoS until a robust, longer term solution is agreed following the work of the BSUoS Task Force.

	including any supporting analysis	
8	<p>The Covid BSUoS support scheme introduced by CMP345 expires on 31 August 2020. The CMP350 Original proposes extending the expiry date to 30 September 2020 and a Workgroup Member has proposed extending this further to 25 October 2020. Do you think it is appropriate to extend the Covid BSUoS support scheme introduced by CMP345 and if so, to what date? Please provide the rationale for your response</p>	<p>The traded forward prices for the winter season have (until this mod was raised) been formed from market expectations that reflected the existing regulatory environment.</p> <p>We think an extension into October is completely unnecessary as demand will seasonally increase and balancing system demand should naturally become easier. There is in our view therefore no case for creating further market distortion in the winter season traded market.</p>