

Trisha McAuley OBE  
Independent Chair  
CUSC & Grid Code Panel

Nadir Hafeez  
Ofgem  
**By email**

17 July 2020

Dear Nadir

**Connection and Use of System Code (CUSC) Modification Panel Request for Urgency and Recommended Timetable for CMP350 'Changes to the BSUoS Covid Support Scheme'.**

On 15 July 2020, British Gas raised CMP350. The Proposer sent a request to the CUSC Panel Secretary for the modification to be treated as urgent.

The CUSC Modifications Panel ("the Panel") on 16 and 17 July 2020 considered CMP350 and the associated request for urgency. This letter sets out the views of the Panel on the request for urgent treatment and the procedure and timetable that the Panel recommends.

The CMP350 proposal states the following defect:

- The current Covid Support Scheme (£15/MWh cap on BSUoS) is set at a level that does not provide sufficient protection to market participants against the exceptional BSUoS costs caused by Covid-19.
- The end date of the scheme does not take account of the potential for exceptional BSUoS costs to occur beyond 31st August 2020.
- There is also no limit to the overall amount of Covid Costs from 25th June 2020 that can be deferred. Introducing a limit will provide more certainty to market participants and facilitate the continued financeability of the ESO.

CMP350 seeks to change the BSUoS Covid Support Scheme introduced by CMP345 by:

- Reducing the current £15/MWh cap to £5/MWh;
- Extending its application from 31 August 2020 to 30 September 2020; and
- Introducing a formal limit of £100m for the amount of deferred Covid related BSUoS costs.

All documentation for this modification can be located via the following link:

<https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/changes-bsuos>

The Proposer set out their rationale for Urgency within the proposal form, which is the following:

## Proposer's Justification vs Ofgem's Urgency Criteria

The unprecedented Covid-19 event has led to exceptional and substantial additional BSUoS costs that could not have been reasonably forecast by the ESO or market participants. It is "a current issue that if not urgently addressed" will have "a significant commercial impact on parties, consumers or other stakeholder(s)".

Ofgem's Urgency Criteria	Proposer's Justification
a) A significant commercial impact on parties, consumers or other stakeholder(s).	The 'significant commercial impact' arises for both Suppliers and Generators as they could not have forecasted or expected such exceptional BSUoS prices through summer 2020. Under the status quo arrangements those parties who pay BSUoS will, for the most part, be unable to recover the amount concerned via retail tariff changes (for Suppliers) or via wholesale price increases (for Generators). These parties face a significant commercial impact from this current issue. Whilst CMP345 offers limited protection against more frequent instances of exceptional BSUoS price levels, market participants remain exposed to the impact of the exceptional increase in frequency of BSUoS prices across a much broader price range.
b) A significant impact on the safety and security of the electricity and/or gas systems.	n/a
c) A party to be in breach of any relevant legal requirements	n/a

## Request for Urgency

The Panel considered the request for urgency with reference to Ofgem's Guidance on Code Modification Urgency Criteria. The majority view (by 5 votes to 4) of the Panel is that **CMP350 does not meet** these criteria and **SHOULD NOT** be treated as an Urgent CUSC Modification Proposal.

Panel members set out their rationale behind this decision:

### Arguments for Urgent Treatment

- This is a current issue, linked to a date imminent event, that could have a significant commercial impact on parties, consumers and other stakeholders; and
- Raising of CMP350 creates uncertainty in the forward market as to how much BSUoS is priced into wholesale prices over the relevant period and therefore needs dealing with as soon as possible especially given the date imminent event.

### Arguments against Urgent Treatment

- This issue has been dealt with in CMP345, which was progressed on an Urgent timeline, and CMP345 had the scope for this sort of change to be made
- The immediate overall commercial impact on parties of exceptional balancing costs to be recovered has been mitigated by CMP345.
- The extension period proposed by CMP350 will be over three months after the ESO forecast that triggered CMP345. Therefore, more frequent BSUoS prices of over £5/MWh in September 2020 could have been reasonably expected in May 2020.

## **Timeline Considerations**

- Panel recognised there may be alternative solutions to address the defect and agreed a timeline (as set out in Appendix 1) that balanced the need for speed and sufficient industry scrutiny. This includes building in sufficient time, particularly in the Workgroup phase, to ensure we carefully consider consultation responses from the industry. Some Panel members expressed concerns about the amount of legal text that would be required in the event of there being many alternative solutions; however, it was agreed that this can be mitigated with a clear scope agreed at the start of the 1<sup>st</sup> Workgroup.

Under CUSC Section 8.24.4, we are now consulting the Authority as to whether this Modification is an Urgent CUSC Modification Proposal.

## **Procedure and Timetable**

Even though the majority of Panel decided to ***not recommend urgency*** to Ofgem, the Panel agreed an appropriate timetable for CMP350 if Ofgem do decide that this Modification is an Urgent CUSC Modification Proposal. This timetable is set out in Appendix 1 of this letter.

Please do not hesitate to contact me if you have any questions on this letter or the proposed process and timetable. I look forward to receiving your response

Yours sincerely



Trisha McAuley OBE  
Independent Chair of the CUSC and Grid Code Panel

## **Appendix 1– Urgent Timeline**

<b>Modification Stage</b>	<b>Date</b>
Request for Urgency Received	15 July 2020
Panel consideration of Urgency	16 and 17 July 2020
Ofgem decision on Urgency	20 July 2020
Workgroup 1	21 July 2020
Workgroup Consultation (2 Working Days)	24 July 2020 to 5pm 27 July 2020
Workgroup 2	29 July 2020
Workgroup Report issued to Panel (1 Working Day ahead of Panel)	30 July 2020
Workgroup Report presented to Panel	31 July 2020 (10am)

Code Administrator Consultation	31 July 2020 (5pm) to 4 August 2020 (5pm)
Draft Final Modification Report issued to Panel and Industry (1 Working Day ahead of Panel)	5 August 2020 (5pm)
Draft Final Modification Report presented to Panel / Panel Recommendation Vote	6 August 2020 (1pm)
Final Modification Report issued to Panel to check votes recorded correctly	6 August 2020 (3pm)
Submit Final Modification Report to Authority	6 August 2020 (5pm)
Authority Decision	13 August 2020
Date of Implementation	14 August 2020