

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 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 or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
Respondent name:	Bill Reed
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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>We do not believe that CMP350 better facilitates the applicable CUSC charging objectives.</p> <p>CMP350 will no better meet Objective (a) since it is detrimental to competition. The proposal will remove periods of higher than average BSUoS costs which occur as part of the normal operation of the market. Market participants should be exposed to these costs and undertake a prudent hedging strategy to ensure that the risk of such costs is appropriately managed. We note that CMP345 has already removed extreme BSUoS prices until the end of August 2020.</p>
2	Do you support the proposed implementation approach for CMP350?	If implemented, the approach is appropriate for CMP350. There must be sufficient notice to market participants that the scheme will be coming to an end to avoid a cliff edge in the traded electricity market.
3	Do you have any other comments?	We recognise that suppliers may be exposed to cash flow issues associated with the current Covid-19 situation. It may be appropriate to provide relief to suppliers in these extraordinary circumstances as set out under CMP345 with respect to deferred cost recovery or billing of BSUoS. However, the adjustment of BSUoS as proposed in this modification is inappropriate and will distort the wider electricity market.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	We do not wish to raise an alternative at this time.
Specific Workgroup Consultation Questions		
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?	<p>The industry and the ESO will be exposed to additional costs associated with the deferral of BSUoS as proposed under this modification. We support the introduction of an upper limit, which at least sets out the maximum level of cost deferral that is permitted under this scheme.</p> <p>CMP345 removed some of the more extreme BSUoS costs associated with the circumstances associated with the Covid-19 situation, particularly where these costs were driven by periods of extremely low demand. This proposal will simply remove higher BSUoS costs which should be recovered from users under the normal</p>

		market arrangements. Consequently, we expect that the £100m limit will be reached prior to the end of the September 2020. This is a considerable amount of money to be carried over and creates financing costs for the ESO and the industry.
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	<p>We agree with the proposal which sets out a clear process for industry notification that the scheme is coming to an end.</p> <p>We do not support the ESO alternative approach. It would create significant risk for market participants that are actively trading in the electricity market.</p>
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 including any supporting analysis	<p>We do not think it is appropriate to revise the cap introduced under CMP345. The £15/MWh cap is designed to address the situation created under the current Covid-19 situation that may occur, particularly where high balancing costs may occur during periods of extremely low demand.</p> <p>CMP350 will remove BSUoS costs that occur as part of the normal operation of the GB electricity market.</p>
8	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>We do not support the extension of the BSUoS relief scheme as proposed under CMP350 to the end of September.</p> <p>There may be a case for the extension of the CMP345 solution (i.e. the £15/MWh cap) to the end of September or indeed to the end of October, subject to the £100m cap, if high balancing costs as a result of extremely low demand were likely to occur in this period.</p>