

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
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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?	Yes. The original proposal will have a positive impact on consumers as it enables the recovery of a greater portion of the exceptional costs associated with Covid, reducing the adverse impacts on competition of significant losses related to balancing costs that could not have been reasonably anticipated. It addresses the exceptional frequency of higher BSUoS rates across a broader range of BSUoS price levels which the existing 'Covid BSUoS Support Scheme' (as result of CMP345) did not.
2	Do you support the proposed implementation approach for CMP350?	Yes.
3	Do you have any other comments?	No
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No

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?	Yes, in order to align with comments Ofgem made in both their CMP345 decision letter and CMP350 urgency letter regarding NGESO's ability to finance and with regards to a particular limit to be considered.
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	Yes (with comments). We believe that traders can manage short term positions using a forecast of the cap being approached. A firm date is clearly more straightforward and lower risk for longer dated trading, but a forecasting process would be manageable.
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	Yes (please note rationale). We believe that £5/MWh is an appropriate value. The following analysis supports this. Based on the latest National Grid half-hourly data (actuals) for both May to June 2019 and May to June 2020 we have compared industry costs and calculated

	<p>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>	<p>what the £/MWh value cap would be required to bring 2020 costs to align with 2019.</p> <p>The total costs for both May and June in 2019 are £208m and in 2020 are £341m. The Cap required in 2020 to match May and June 2019 costs is £3.78/MWh. Therefore, it would be reasonable to have a cap around £5/MWh.</p> <p>In addition, we note that this increase in costs is 61% which is unreasonable to have assumed market participants could have forecast.</p> <p>(Spreadsheet embedded in Appendix 1 below to provide data behind analysis.)</p>
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>Yes, we believe a date of 25th October is appropriate.</p> <p>The rationale behind the 25th October would align with GC0143 and ODFM which were introduced as a measure against Covid related low demand. Equally, whilst demand is in the process of normalising we believe it is unreasonable to assume that it will be completely back to normal by the end of September given expert nationally publicised advice on how long Covid will remain in circulation and how this affects electricity demand.</p>

Appendix 1

Data to substantiate response to question 7



BSUoS Assessment -
Total_Cost_Actuals_M