CUSC Code Administrator Consultation Response Proforma

CMP350 'Changes to support 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 **4 August 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 or 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 use of system charging methodology.*

**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	Do you believe that the CMP350 Original solution, WACM1, WACM2,WACM3, WACM4, WACM5, WACM6 or WACM7 better facilitates the Applicable CUSC Objectives?	Of all the options (Original and all WACMs) developed by the workgroup, we believe only WACM3 better overall facilitates the Applicable CUSC Objectives than the baseline. We believe all the options are neutral against Applicable CUSC Objectives B, D and E as this modification has little or no impact in relation to these objectives. All of the options are positive in respect of Applicable CUSC Objective C as they all introduce a £100m. Against Applicable CUSC Objective A, we believe only WACM3 is positive against this objective whilst the other options are negative. Question 3 has more information regarding how we've assessed the options against the Applicable CUSC Objectives.
2	Do you support the proposed implementation approach?	We support the proposed implementation approach of the following business day after the Authority's decision and no retroactivity of the decision.
3	Do you have any other comments?	The below bullet points detail the principles by which we've assessed these options • **We want to provide support against exceptional costs due to Covid-19** - we have been supportive throughout CMP345 and the TNUoS support scheme to help industry through the pandemic. This was based on the impacts of Covid-19 being unforeseen by industry parties. We do not believe that October 2020 can be classed as unforeseen, particularly as this is five months after the impacts of Covid-19 on BSUoS were raised in May 2020. The justification for the £15/MWh was that at this level, BSUoS prices are exceptional rather than business as usual. • **Interference in markets should be minimal** – we believe that a £5/MWh, £6.60/MWh or a £10/MWh cap would result in a significant interference in the market, as these costs are frequently experienced by the market outside of Covid. We also strongly believe that with a £5/MWh or £6.60/MWh cap, the cumulative cap of £100m would be breached, leading to removal of ESO support at short notice - disrupting

market prices. Whilst this is partly mitigated by the Workgroup's suggestion of the ESO formally notifying industry when the scheme will end, this adds difficulty as discussed below. This is also possible but less likely for a £10/MWh cap. In addition, a lower £/MWh cap would be administratively burdensome and so more administration cost would be incurred by the ESO in administering the scheme, at cost to the consumer.

We believe that the £15/MWh cap is in the best interests of all market participants and consumers as it will provide market support whilst also resulting in lower financing and administration costs (compared to the other £/MWh cap options proposed) which therefore results in lower costs to market participants and consumers when these costs are recovered in future.

- **The ability for the ESO to financially support the modification is essential** – we support the formal introduction of the cumulative £100m cap. As in CMP345, any support being provided through the ESO which is recovered in the following financial year will result in a financing cost to the ESO until costs are recovered at the end of March 2022. Under a lower price cap, the exposure of the ESO would increase which would put additional stress on the ESO's financing arrangements. It is essential that under CMP350, there is no risk that the £100m cap could be breached, we believe this is possible with a £5/MWh and £6.60/MWh cap. This is due to the timing differences between when the ESO knows the amount deferred and when the ESO needs to give notice to industry meaning the ESO has to predict when the £100m cap will be hit. This prediction is easier with higher £/MWh caps as they are more exceptional. With lower £/MWh caps, the ESO risks either breaching the £100m cumulative cap or ending support prematurely and so must use reasonable judgement to balance these outcomes.

  There is also increased market uncertainty due to another modification being raised 3 weeks after market support was approved by The Authority (CMP345). The uncertainty driven by a potential significant increase in deferral of costs could also cause an adverse impact on the credit / risk rating of the ESO which may result in higher financing costs of the ESO which would not be in the interest of market participants or consumers.