

<p>Workgroup Alternative – WACM 2</p>	<p>At what stage is this document in the process?</p>
<p>CMP350:</p> <p>Changes to the BSUoS Covid Support Scheme – Original with £10/MWh rather than £5/MWh BSUoS Cap</p>	<div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="display: flex; align-items: center; margin-bottom: 10px;"> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; margin-right: 10px;">01</div> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; background-color: #f0f0f0;">Proposed Alternative</div> </div> <div style="display: flex; align-items: center;"> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; background-color: #00a651; color: white; margin-right: 10px;">02</div> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; background-color: #00a651; color: white;">Proposed Workgroup Alternative</div> </div> </div>
<p>Purpose of Alternative:</p> <p>This alternative uses the methodology proposed by the Original but instead of a £5/MWh cap proposes a £10/MWh cap for the period of 14th August to 30th September 2020.</p>	
<p><i>Date submitted to Code Administrator: 28/07/2020</i></p> <p><i>You are: A Workgroup member</i></p> <p><i>Workgroup vote outcome: Formal alternative (WACM2)</i></p>	

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1 Alternative proposed solution for workgroup review

This alternative uses the methodology proposed by the Original but instead of a £5/MWh cap proposes a £10/MWh cap for the period of 14th August to 30th September 2020.

The unit BSUoS costs, over the period to the end of September 2020, are expected to be substantially higher than could have been foreseen by generators, suppliers and end consumers that have pass through contracts (in respect of BSUoS).

CMP345 put in place a solution to protect generators, suppliers and end consumers against extremes of BSUoS but this is failing to capture an appropriate number of the much higher than normal BSUoS prices that still have significant commercial impact on generators, suppliers and end consumers.

If unaddressed this is expected to adversely impact competition in the generation and supply of electricity. It could see some parties unable to continue to operate with consequences for the market and ultimately for end consumers.

The basis for this proposal is that analysis of the same period in 2019 shows that only £6m would have been deferred compared to £38m for the Original. However,

our forecasts indicate that a cap of £10/MWh could defer up to £40m of extra BSUoS costs in the same period for 2020.

Therefore, a cap of £10/MWh is a more reasonable level than either the proposal or the current cap, under CMP345, as it would defer an appropriate level of the additional BSUoS cost resulting from Covid-19 to protect suppliers, generators and end consumers.

2 Difference between this proposal and Original

This proposal only differs from the Original in that it proposes a £10/MWh cap rather than a £5/MWh cap.

3 Justification for alternative proposal against CUSC Objectives

Impact of the modification on the Applicable CUSC Objectives (Standard):

Relevant Objective	Identified impact
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;	This alternative is positive in terms of facilitating effective competition in the generation and supply of electricity as it is more cost reflective of the current situation.
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);	neutral
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;	This alternative is positive in terms of taking account of the ESO's business by having a total £100m limit on BSUoS deferred costs, ensuring the continued financeability of the ESO
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	neutral
e. Promoting efficiency in the implementation and administration of the CUSC arrangements.	neutral
*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).	

4 Impacts and Other Considerations

This proposal will impact the CUSC (Section 14) and the processes of calculating and billing BSUoS. There should be little, if any, system impact as the change can use the existing processes introduced by CMP345. The introduction of a cap to the amount of deferred BSUoS costs will add an additional step to that process, but this is not considered to be a material change.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This proposal does not have any impact on any ongoing Significant Code Review or other significant industry change as it involves the deferral of a (£) quantum of cost.

Consumer Impacts

Consumer Impacts

We believe this proposal will have a positive impact on consumers as it enables the recovery of a significant portion of the exceptional costs associated with Covid-19, reducing the adverse impacts on competition of significant losses related to balancing costs that could not have reasonably been anticipated.

Having a £10/MWh cap will mean that fewer high BSUoS prices will be deferred compared with the Original. It is estimated that, on an industry wide level, there would be ~£40m less deferral under this proposed alternative cap for the period 14th August to 30th September 2020.

5 Implementation

Implementation is identical to the Original.

6 Legal Text

Legal text for this alternative is identical to the Original with the only change being the replacement of £5/MWh with £10/MWh