

**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](mailto: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](mailto:paul.j.mullen@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto: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?	<p><u>Objective (a):</u> No – This proposal does not adequately account for the impact on current BSUoS participants who are not transmission connected or suppliers, i.e. embedded generators.</p> <p><u>Objective (b):</u> We would argue that this modification would result in a disproportional negative impact to embedded generators. As is noted in the consultation, this modification could have a material impact on income for embedded generators due to reduced embedded benefits payments.</p> <p><u>Objective (c):</u> We acknowledge that there is a material operational and financial impact from the reduced demand resulting from the Government enforced lockdown period.</p> <p>However, in light of the fact that it has been less than a month since the authority reviewed and agreed an approach to address additional BSUoS costs, and considering demand has continued to climb over this period, it is hard to see the justification for further revising the COVID support scheme in a way that disproportionately impacts embedded generation. We do not feel that delaying and socialising costs across future participants under a new charging regime is justified or fair.</p>
2	Do you support the proposed implementation approach for CMP350?	Improvements in the proposed implementation could be made by clarifying that the implementation is a deferral of cashflows and not a change in ultimate beneficiary or contributor to the cashflows under the pre-modification charging methodology.
3	Do you have any other comments?	We are supportive of measures to ease cashflow issues that participants might face as a result of the increased BSUoS costs arising from the Covid-19 pandemic. However, we do not agree that further deferring these costs to a future period or allocating them under a new methodology is appropriate.
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	We feel that £100 million is a reasonable limit on the total amount of BSUoS costs that could be deferred, with the important caveat that this is closely connected with the £/MWh cap that is ultimately decided and should be balanced

	which can be deferred. Do you agree that a formal limit of £100m should be introduced?	accordingly. The £100m limit would be hit much more quickly under a £5/MWh cap for example.
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	No comment.
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 feel that revising the cap to £5/MWh is necessary or appropriate for the reasons outlined above. In general, a lower £/MWh threshold would defer more BSUoS costs into the following financial year and this would have material effects on the market, and in particular on embedded generators.</p> <p>In line with concerns raised by the workgroup, we feel that setting a cap at £5/MWh creates the risk of distorting 'normal' BSUoS prices which would breach this cap in some circumstances, and that because of the difficulty in identifying exactly what percentage of this is specifically attributable to COVID-19 that a higher cap is justified. As stated in the consultation 'a £5/MWh cap as proposed would remove any unforecastable instances of Settlement Periods that are in the high range of "normal" but would also limit the "business as usual" BSUoS beyond the effects of Covid.'</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	As we stated in our response to CMP345, we feel that if there is not a second peak or an extension of lockdown measures, 31 August 2020 continues to be a reasonable stop date for the deferral of additional incurred costs.