

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?	<p>Yes.</p> <p>Objective (a): Positive Impact</p> <p>The proposal will provide some mitigation against the exceptional losses likely to be incurred by Parties as a result of Covid-19. Deferring costs to a future period will allow Parties to reflect these exceptional costs into future tariff offerings. Such protection, for exceptional events, that are high impact and low probability, such as Covid-19, will reduce the level of risk that will need to be factored into future tariffs and facilitate effective competition in the generation and supply of electricity. In our view this will, as a result, lower the long-term costs to consumers.</p> <p>Applicable Objective (c): Positive Impact</p> <p>The introduction of a limit to the amount of Covid costs that can be deferred will help to ensure the continued financeability of the ESO.</p>
2	Do you support the proposed implementation approach for CMP350?	Yes
3	Do you have any other comments?	<p>We would note a couple of additional impacts:</p> <ul style="list-style-type: none"> The exceptional frequency of high BSUoS prices provides a signal to reduce demand or increase embedded generation, potentially increasing the costs of balancing the system. By removing costs from high BSUoS periods and recovering them in a smeared fashion in a future year, the proposal reduces this signal. Whilst we acknowledge this will reduce benefits to embedded generation, we note that embedded generators have already received significant unexpected BSUoS payments this summer, with a 25% increase in instances of BSUoS >£5/MWh already (Apr - 15th July) compared to the whole of summer 2019 (Apr-Sep). A BSUoS cap of £5/MWh should reduce the costs of actions to manage COVID since market participants will not need to factor in higher BSUoS rates when offering services in the BM.
4	Do you wish to raise a Workgroup Consultation	No

	Alternative Request for the Workgroup to consider?	
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 approving CMP345 Ofgem noted that there was a limit to the amount of liquidity that could be provided by NGENSO, under current arrangements, and stated that it would be efficient and appropriate, should the level of BSUoS costs being deferred approach £100m, to consider further how to mitigate the NGENSO's exposure. We believe introducing a formal limit of £100m to the amount of Covid Costs which can be deferred is therefore an efficient and appropriate mitigation to build into the CUSC.
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 believe it would be more efficient for the ESO to declare that the scheme will end on a certain date. This end date could be set by the ESO providing at least 2 days' notice given their estimate of reaching the £100m limit on a reasonable endeavours basis.</p> <p>By tracking the actual amounts deferred to date and combining this with estimates of deferrals based on the observed BM spends published daily in National Electricity Transmission System Status Reports, we consider it would be straightforward for the ESO to set a date with 2 days' notice which, in its reasonable opinion, would prevent the deferred amount exceeding £100m.</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	Yes, the current Covid BSUoS Support Scheme fails to address the impact Covid has had on the exceptional frequency of higher BSUoS rates across a much broader range of BSUoS price levels. A cap of £5/MWh provides a necessary and more appropriate level of protection for market participants which addresses both the instances of exceptionally high levels of BSUoS prices as well as the exceptional frequency of high levels of BSUoS prices. It returns average BSUoS to a level which a prudent market operator could have foreseen and incorporated into all of their commercial decisions for summer 2020.
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	<p>Yes, the scheme should be extended. We continue to believe that an extension to 30th September is appropriate.</p> <p>There is clearly the potential for the impact of Covid-19 to continue to drive low levels of demand and exceptional BSUoS costs into September when underlying demand levels typically remain low, and as</p>

<p>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>has been recognised by the ESO in its updated June 2020 BSUoS scenarios.</p>
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