

Workgroup Alternative – WACM 1	At what stage is this document in the process?
<h1>CMP350: Changes to the BSUoS Covid Support Scheme (Original with £6.60/MWh rather than £5/MWh BSUoS Cap)</h1>	<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: #008000; color: white; margin-right: 10px;">02</div> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; background-color: #008000; color: white;">Proposed Workgroup Alternative</div> </div> </div>
<p>Purpose of Alternative: This alternative looks to use the methodology proposed by the Original but instead of using the distribution of BSUoS prices for the whole summer to date (Apr-June) it uses the distribution from July. This is done to capture the change in Covid related demand reduction which during the peak of lockdown (May) was >20% lower than anticipated whilst today it is ~5% lower. Using the July distribution of BSUoS prices suggests a cap of £6.60/MWh for the period Aug-Sept to attain the ~£4/MWh average that the Original sought to deliver.</p>	
<p>Date submitted to Code Administrator: 24/07/2020</p> <p>You are: A Workgroup member or member(s)</p> <p>Workgroup vote outcome: Formal alternative (WACM1)</p>	

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1 Alternative proposed solution for workgroup review

This alternative seeks to better reflect the current Covid situation by taking the most recent BSUoS distribution data to model the cap. This ensures that the demand recovery that has been seen since May/June is used to predict BSUoS prices going forward rather than using the full distribution which includes the most severe impacts of Covid. Using this assumption, the cap proposed is £6.60/MWh rather than £5/MWh.

2 Difference between this proposal and Original

This alternative is identical to the Original except in terms of the cap applied. This alternative believes that a cap of £6.60/MWh instead of £5/MWh better reflects the current situation with regard to BSUoS prices and therefore better reflects the short term future of BSUoS prices.

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);	
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 keeping the £100m industry cap 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	
e. Promoting efficiency in the implementation and administration of the CUSC arrangements.	
*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

Impacts and Considerations are identical to the Original

Consumer Impacts

Having a £6.60/MWh cap is likely to mean that customers will not pay as much for the high BSUoS prices as under a £5/MWh cap with suppliers and generators absorbing the £1.60/MWh difference. Estimates on an industry wide level for the period Aug-Sept suggest ~£20m difference between the two caps.

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 £6.60/MWh