

| Workgroup Alternative – WACM4 | At what stage is this document in the process? |
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| <h1>CMP350:</h1> Changes to the BSUoS Covid Support Scheme’ change to end date from 30 September 2020 to 25 October 2020 | <div style="display: flex; flex-direction: column; align-items: flex-end;"> <div style="display: flex; gap: 10px;"> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; width: 30px; text-align: center;">01</div> <div style="border: 1px solid black; border-radius: 5px; padding: 5px; text-align: center;">Proposed Alternative</div> </div> <div style="display: flex; gap: 10px; margin-top: 10px;"> <div style="background-color: #008000; color: white; border-radius: 5px; padding: 5px; width: 30px; text-align: center;">02</div> <div style="background-color: #008000; color: white; border-radius: 5px; padding: 5px; text-align: center;">Proposed Workgroup Alternative</div> </div> </div> |
| <p>Purpose of Alternative: To change the end date of the scheme proposed in CMP350 Original to 25th October 2020</p> | |
| <p>Date submitted to Code Administrator: 28th July 2020</p> <p>You are: A Workgroup member</p> <p>Workgroup vote outcome: Formal alternative (WACM4)</p> | |

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1 Alternative proposed solution for workgroup review

It is widely accepted by external scientists / medical experts that it is possible for Covid to continue into this autumn/winter and thus beyond 30th September 2020 (which is the proposed end date for CMP350 Original) and this, for example, has been accepted by the ESO.

I note that 25th October 2020 is the date that the ESO has stated as being the end point for two of the three Covid special measures (ODFM and GC0143, the other being the Sizewell contract) that the ESO has itself introduced which, along with other cost items, feed through into higher BSUoS costs.

The reason why I have proposed the 25th October 2020 date is (i) this being the ESO's chosen end date for the ODFM and GC0143 Covid special measures and (ii) by reference to the following statements etc., from the ESO:

ESO Summer Outlook April 2020:

<https://www.nationalgrideso.com/document/167541/download>

This contains numerous diagrams etc.; such as on pages 10 and 13; which show the period that the Summer Outlook report covers as being weeks 15-43 (start of April till end of October).

ESO 7th May 2020 blog:

<https://www.nationalgrideso.com/news/actions-were-taking-manage-reduced-demand-electricity-summer>

“Over the past week we’ve [the ESO] put in place three new tools [Sizewell Contract, ODFM and GC0143] and processes for our control room to draw upon, and give them additional support over the summer period. These primarily focus on ensuring that electricity supply on the transmission and distribution networks can be managed effectively, allowing our control room to maintain stability on the transmission network in any situation, including those currently beyond our forecasted summer scenarios.” [see ‘Summer Outlook’ information above as to the ‘summer period’].

ESO's ODFM Industry Update letter 6th July 2020:

<https://data.nationalgrideso.com/backend/dataset/812f2195-4e96-4bfd-8bf0-06c3d0126c57/resource/f8ecae27-257d-4425-a001-a8009b74dc35/download/odfm-industry-update-letter-06.07.2020.pdf>

“Several parties sought for the Service end date to be aligned with GC00143. ESO agree with this and have amended clause 14.3 to change the service end date to 25th October 2020”

Therefore, this alternative proposes the end date of the scheme (which the Original proposes as 30th September) to be the winter clock change date of 25th October 2020. The other aspects of CMP350 (such as the £/MWh and £M cap etc.,) would be as per the Original with this alternative.

2 Difference between this proposal and Original

As per the Original in all respects except the end date of the scheme (which the Original proposes as 30th September) which shall be the winter clock change of 25th October 2020.

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; | Positive |
| 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; | Positive |
| 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).

This alternative is neutral in terms of (b), (d) and (e).

In terms of **Applicable Objective (a)** this alternative (like CMP350 Original) provides some mitigation against the exceptional losses likely to be incurred by Parties as a result of the unprecedented Covid pandemic in terms of both the absolute level of BSUoS as well as, in particular, the abnormal frequency of higher than average BSUoS.

However, this alternative extends this benefit by circa one month to the clock change date of 25th October and in so doing maximises the benefit of CMP350 when compared with the Original.

In this respect it is important to recognise, that the effects of the Covid pandemic whilst currently in abeyance in parts of GB (notwithstanding the possibility of local 'hot spots') have not concluded. Indeed, it has been credibly argued the pandemic could re-ignite, from its current low levels in GB, in a second or third wave in the future (the timings of which is uncertain for all).

As such deferring some of the recovery of BSUoS costs arising from Covid to 2021/22 charging year will allow Parties to reflect these exceptional costs into future tariff offerings and wholesale prices and thus ensure that the cost recovery nature of BSUoS (as recognised by the BSUoS taskforce) is to some extent maintained.

In this way this alternative (like CMP350 Original) provides market participants with some protection (but for longer than the Original) for exceptional events, that are high impact and low probability, such as a pandemic, and this, in turn, reduces the level of risk that will need to be factored into future tariffs and prices which facilitates effective competition in the generation and supply of electricity. As the proposer noted, and I agree, in their (and my) view this will, as a result, lower the long-term costs to consumers.

In terms of **Applicable Objective (c)** the introduction, with CMP350 Original, of a (£100M) limit to the amount of Covid costs that are recovered via BSUoS that can be deferred will help to ensure the continued financeability of the ESO, consistent with Ofgem's CMP345 decision and this element is retained within this alternative.

4 Impacts and Other Considerations

As per the Original.

Consumer Impacts

As per the Original.

5 Implementation

As per the Original.

6 Legal Text

As per the Original but with the end date of the scheme amended from 30th September 2020 (itself a change to the CUSC from the current 31st August 2020) to being 25th

October 2020. Based on the wording used by the ESO with its GC0143 proposal I'd suggest the legal text for this alternative says "until October 25 2020"¹

¹ See page 8 of the GC0143 Final Modification Report at:

<https://www.nationalgrideso.com/document/168721/download>