CUSC Code Administrator Consultation Response Proforma

CMP350 'Changes to support 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 **4 August 2020**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Panel.

If you have any queries on the content of this consultation, please contact Paul Mullen paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
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For reference the applicable CUSC objectives are:

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. *Promoting efficiency in the implementation and administration of the use of system charging methodology.*

*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).

Please express your views in the right-hand side of the table below, including your rationale.

Standard Code Administrator Consultation questions		
1	Do you believe that the CMP350 Original solution, WACM1, WACM2,WACM3, WACM4, WACM5, WACM6 or WACM7 better facilitates the Applicable CUSC Objectives?	No. This modification fails CUSC objective (a) and (e). The Proposer had the opportunity to bring forward this option within the CMP345 process and did not do so. We think that it sets a dangerous precedent for Ofgem to approve a modification to its decision so soon after approving CMP345. This allows any industry participant who does not like the outcome of a CUSC mod decision to demand industry time is used to revisit debate which has already been had. This is not an efficient use of industry resources and favours entities which can resource CUSC workgroup participation. If there is any merit at all, the only alternative that we see is a possible improvement from the baseline is WACM3. This recognises a potential issue with ESO financing and so caps ESO liability. We can also see a case for extending Covid support to the end of the summer trading window, albeit we think natural demand recovery and lower solar intensity will obviate any need for an extension. We see no case for an extension into October, which would cause a distortion in the market for a period where forward trades and hedges will already have been executed absent any assumption of change post the CMP345 process, as well as further seasonal demand increase and solar generation reduction.
2	Do you support the proposed implementation approach?	No. This is a further rushed process where there has not been the time for proper rigorous scrutiny and wider industry challenge of the analysis presented.
3	Do you have any other comments?	In Ofgem's decision letter on CMP 345 we read: "Given that such [low] levels of demand have been experienced in 2019 and were forecast in the Summer Outlook report,[16] this raises the risk that the pre-summer forecasts could underestimate the expected summer balancing costs" and "we do not agree that all increases in BSUoS charges attributable to COVID-19 in some way should be considered exceptional, or as costs that prudent market participants could

not have foreseen and taken account of in commercial planning for the summer". And "We believe that there would be benefits to competition from this [WACM2] option, because it would enable deferral of exceptional BSUoS charges which prudent market participants could not have likely foreseen, without a significant risk of windfall gains to some participants." And finally "Should losses associated with exceptional system balancing costs this summer lead directly to (otherwise financially sound) participants exiting the market, we believe this would have a negative impact on competition and consumers. Nonetheless, our view is that there is a low likelihood that under the baseline, that these exceptional costs will on their own, lead to the exit of companies whose business model is otherwise viable."

We agree. We quote these as we see further modifications as unnecessary and risking use of short notice industry-wide regulatory changes to provide commercial benefits to certain market participants represented through the CUSC workgroups, to the detriment of future consumers through higher charges, without the evidence we believe to be required that there will be a greater negative impact for consumers through business failure and lower competition if further changes are not made. Whilst we, therefore, do not believe that further intervention is justified, if any support is necessary to limit the credit exposure on NGESO, then WACM3 is the least worse option.