

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?	<p>We believe that WACM1 (a £6.60/MWh cap on BSUoS prices out to the 30th Sept with an industry wide constraint of £100m total deferral) best supports the CUSC objectives of facilitating competition (Objective (a)) and taking account of the development in transmission licensees transmission businesses (Objective (c)).</p> <p>The current cap of £15/MWh was introduced in CMP345 in order to capture the excessive BSUoS prices that were being caused by the Covid related collapse in demand. However, Covid has had an impact right across the distribution of BSUoS prices with high, but normal prices becoming more likely to be seen. This additional cost is not captured by the solution set up through CMP345 and as such many suppliers and generators are having to absorb these additional costs without the ability to pass them through the end customer (customers on fixed price contracts). The Original Proposal looks to correct the Covid distribution such that higher prices are capped to such a degree that the average Summer BSUoS price is brought back to a level that might have been anticipated by a prudent supplier/generator i.e. allowing for the long term rising trend in BSUoS coupled with a 15% error margin which is the level used by NGESO in their forecasts). However, the Original Proposal used the Apr-June dataset as a proxy for where BSUoS prices are likely to outturn for Aug-Sept. As demand is recovering from the 20% reduction seen at the peak of lockdown (current NGESO estimates are that demand is now only 5% lower than anticipated), E.ON/npower believes that using the July distribution of BSUoS prices as a proxy for Aug-Sept is a fairer assumption. Based on this proxy, the cap required to reduce average BSUoS prices back to a 'normal' level would be £6.60/MWh. By allowing suppliers to defer any costs above £6.60/MWh ensures that the fragile state of energy supply is not exacerbated. There are already concerns over a new wave of exits from the market with an existing supplier currently unable to pay capacity market</p>

		<p>payments or balancing market payments. ROC payments are also due at the end of Sept and this has traditionally seen a lot of suppliers struggling. To retain a strong market which maintains cost reflective prices will require support from Ofgem through CMP350.</p> <p>We also believe that the inclusion of a £100m industry wide cap on deferrals helps the NGENSO manage the current situation with regard to BSUoS payments better. With a cap on their exposure, NGENSO will be able to finance this support better as outlined in Ofgem's decision for CMP345.</p> <p>Limiting the period over which the cap is in place to the end of September (alongside a higher cap of £6.60/MWh compared to the Original Proposal) also helps NGENSO as it is less likely that the cap will be hit and the subsequent 'cliff edge' of BSUoS prices that could ensue once the £100m has been hit. September (as shown in the Original Proposal) is a very similar month to the rest of the summer months and therefore the risk of high BSUoS prices is still very prevalent.</p>
2	Do you support the proposed implementation approach?	Yes, we believe that weekly reporting of the total amount deferred up to a total deferral of £60m, followed by daily reporting and at least 2 business days notice of the scheme ending (i.e. the £100m limit is likely to be met in the next 2 days) is sufficient for all parties to take the relevant steps.
3	Do you have any other comments?	No