

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 |
|-------------------------|--------------------------------------------------|
| Respondent name: | Lydia Martin |
| Company name: | Utilita Energy |
| Email address: | lydiamartin@utilita.co.uk |
| Phone number: | Click or tap here to enter text. |

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, specifically with regards to objectives (a) and (c).</p> <p>CMP350 supports competition by mitigating the unprecedented increase in BSUoS costs, impacting otherwise responsible suppliers and generators, unable to cover the costs. Their failure would reduce market diversity and competition for consumers (a).</p> <p>CMP350 is a direct response to an unexpected development within the transmission businesses – namely the exceptional circumstances brought about by COVID-19 (c).</p> <p>In both cases CMP345 has insufficiently mitigated these affects.</p> |
| 2 | Do you support the proposed implementation approach for CMP350? | Yes |
| 3 | Do you have any other comments? | No |
| 4 | Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider? | No |
| 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? | <p>Utilita accepts that a formal limit is necessary to cap total costs beyond reasonably foreseen expectations and to allow NGESO to procure financing. However, the existing projections included in the documentation, under a £5/MWh cap and based on the 15% scenario, showed the expected total deferral would reach £108m.</p> <p>Given the £5/MWh cap is deemed necessary to protect competition within the generation and supply sectors and support parties through the exceptional circumstances arising from COVID-19, the cap should be at least sufficient to encompass expected requirements with some headroom.</p> <p>Therefore, Utilita believe the cap should be set at £125m to ensure full use of the £5/MWh assistance. This higher limit would further reduce the possibility of the assistance ending before the proposed duration of the relief and the subsequent concerns and challenges posed by the risk of a 'cliff-edge' (see question 6 below).</p> |

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| 6 | <p>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> | <p>Utilita supports the approach outlined by the ESO.</p> <p>Whilst accepting the ESO's argument that, under a £5/MWh cap, it cannot be expected to provide a meaningful forecast of the exact settlement period in which the cap will be breached, this is still the best available option, with participants provided daily updates on total utilisation and the ESO providing the best notice it can.</p> <p>Utilita notes that a higher total cap £125m (see question 5 above) set to provide a moderate headroom above the expected requirements, would reduce the risk of such an event occurring.</p> |
| 7 | <p>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</p> | <p>Utilita supports the proposed £5/MWh cap as an appropriate limit based on the evidence provided within the proposal (£4/MWh 2020 trend with error margin vs £5.46/MWh observed price). This still places suppliers and generators with most of the burden from the unforeseeable COVID impact, whilst providing relief from outlying prices.</p> <p>Existing analysis submitted by Uniper indicated the current level of support under the £15/MWh cap has been just £17.2m. Divided equally between generators and suppliers, this would amount to £86k of deferral, per 1% market share within each sector, providing very little relief to suppliers or generators, per the objectives of CMP345.</p> |
| 8 | <p>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 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>Utilita supports the existing proposal that the scheme be extended to 30 September 2020, in line with the expectations that demand levels will remain relatively lower for this month and the impacts of COVID on balancing costs will continue to be felt. As the proposal notes 1-2-year fixed price contracts are standard throughout the supply industry and current impacts could not have been reasonably forecasted.</p> <p>Whilst this argument could be applied to the extension of the scheme to October 2020 it is too early to know if the scheme will be required for this month, with BSUoS prices still exceptionally impacted. In the event they are still significantly affected, the expiration date could be reviewed with a view to continuing the scheme, considering any remaining headroom below the agreed total deferral limit (see questions 5-6) and market developments and observed BSUoS prices.</p> |