

Workgroup Consultation Response Proforma

CMP373 'Deferral of BSUoS billing error adjustment'

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 **12pm on 4 May 2021**. 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 paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
Respondent name:	Jason Harkay
Company name:	Utilita Energy Limited
Email address:	jasonharkay@utilita.co.uk
Phone number:	Click or tap here to enter text.

I wish my response to be:

(Please mark the relevant box)

Non-Confidential

Confidential

Note: A confidential response will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel, the Workgroup or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

For reference the Applicable CUSC (charging) 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; and*
- e. *Promoting efficiency in the implementation and administration of the 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 regarding the Workgroup Consultation in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions		
1	Do you believe that the CMP373 Original Proposal better facilitates the Applicable Objectives?	<p>Yes, specifically with regards to objective (a).</p> <p>It avoids adverse impact on the Default Tariff Cap calculations that would affect domestic focused suppliers and avoids penalising industry parties for the unexpected underbilling recovery.</p>
2	Do you support the proposed implementation approach?	Yes, we agree with the proposed implementation approach as it benefits the widest selection of industry parties and consumers.
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.
Modification Specific Workgroup Consultation questions		
5	Do you believe that it is more appropriate to recover the £33,163,790.21 of trading costs in the FY 2021/2022 Settlement Final (SF) Run? Please provide the rationale for your response?	<p>Yes, Utilita believes it is more appropriate to recover the trading costs in the FY 2021/2022 Settlement Final (SF) Run.</p> <p>The current ESO proposed recovery doesn't give provide enough time for BSUoS-liable parties to manage trading positions and commercial arrangements to allow them to best mitigate risk and recoup the increased costs..</p> <p>Using the RF invoicing timeline, as per the current arrangements, will cause issues for suppliers. For example, with the reconciliation of costs and where there has been a change of supply as the Default Tariff Cap Methodology will not include the unexpected 2020/21 costs.</p> <p>Recovering via the forward looking 2021/2022 SF run allows suppliers to retain the ability to recover these costs</p>

		from the consumers and reduces the risk unexpected bills.
6	Do you think that it is more important to socialise the costs across users in FY 2021/2022 or to correctly target the liable users when the costs were incurred using the RF run? If not socialised do you have a proposal for how the Default Tariff Cap calculations would work? Please provide the rationale for your response.	<p>Yes, it is better to socialise the costs across users in FY 2021/2022.</p> <p>This approach will provide more assurance for BSUoS payers as to what they'll be charged and allows parties to better manage trading positions and commercial arrangements to best mitigate any risk with the repayment of the unexpected costs.</p> <p>This aligns with the charging methodology in CUSC for costs which are not incurred in a specific settlement period. It also supports the BSUoS Task Force view that BSUoS should be treated as a cost recovery charge.</p> <p>Targeted costs to those who incurred them in the FY 2021/2022 SF will result in more complex billing arrangements, especially as ESO's current billing system does not allow the assignment of historical costs directly to settlement periods in a new financial year.</p> <p>Recovery using the RF run doesn't allow for the possibility of costs to be recovered from consumers in a fair way and may leave suppliers with bad debt.</p>
7	Do you believe that the costs should be recovered from 1 October 2021 to 31 March 2022 (as per Original proposal) or 1 June 2021 to 31 March 2022 or using the default of the RF runs? Please provide the rationale for your response.	<p>The costs should be recovered from 1 Oct 2021 to 31 Mar 2022 to align with Default Tariff Cap dates, allowing the opportunity for the costs to be recoverable from consumers (reducing the risk of supplier failure and bad debt).</p> <p>There is no benefit to extending the recovery period from 1 Jun 2021 to Mar 2022 as the period 1 Jun 2021 to 30 Sep falls under the previous Default Tariff Cap. This again will prevent the recovery from consumers, and limit BSUoS parties ability to manage trading positions and commercial arrangements to mitigate risk.</p> <p>As outlined earlier, recovery in the RF runs a higher risk to industry parties and consumers, by not allowing for the possibility to recovery these costs via the Default Tariff from end-users. Thus, is the least preferred way to for the costs to be recovered.</p>
8	Will the CMP373 Original Proposal or	The Original Proposal allows for more adequate time, comparatively, to manage trading positions and

<p>any of the potential alternative solutions impact your business and/or end consumers. If so, how?</p>	<p>commercial arrangements and allows for the possibility of the recovery of the costs from end consumers. This should allow us to better manage the unforeseen costs.</p> <p>The Original proposal roughly mirrors the settlement periods which were underbilled, thus should better align if these costs are recovered from end consumers.</p> <p>The alternate solutions offer less time to manage positions and are less flexible with the recovery of costs.</p>
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