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:	Simon Vicary
Company name:	EDF Energy Customers Limited
Email address:	simon.vicary@edfenergy.com
Phone number:	07875110961

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?	(a) Positive – The CMP373 Original avoids the adverse impact on the Default Tariff Cap calculations, both past and future, which would have an anti-competitive differential discriminatory effect on suppliers that are more focussed on the domestic market. Also, it does not unexpectedly penalise (or reward) industry parties for this unforeseen cost recovery adjustment. (b) Neutral (c) Neutral (d) Neutral (e) Neutral
2	Do you support the proposed implementation approach?	Yes, we believe that the costs should be recovered from 1st October 2021 to 31st March 2022 (as per Original proposal) as it gives a reasonable notice period for future charges, on the expectation of an Ofgem decision no later than 21st May 2021.
3	Do you have any other comments?	We welcome the ESO decision to recover the £9,855,009.14 of the ALoMCP under recovery across the SF run in FY2021/2022, smeared across all settlement days equally, instead of their original proposal to also include these in the RF runs. We understand that they are able to do this without a CUSC change but CMP373 is required to use a similar FY2021/2022 SF recovery approach for the £33,163,790.21 cost associated with the trading activities error.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No. Although we can see how alternative time periods could be used for FY2021/2022 SF recovery we consider that the Original is the most pragmatic solution.
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?	Yes, we 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. The failure to recover these costs in the normal timescales (profiled to when these costs were incurred) is due to errors made solely by the ESO. Furthermore, no transparency of any potential problem was given until the announcement to recover all of these costs in a settlement billing run (RF) on 9th April 2021. The ~£34m, which is expected to be billed from November 2021, is much higher than the typical amount for an RF run so Suppliers, Generators and Consumers will suffer significant financial impact. This compares to increases of just £5.5m and £9.1m between the SF and RF settlement runs for 2017/18 and 2018/19 respectively. The Standard Variable Tariff cap calculation methodology specifically uses the SF Settlement Runs. Any adjustments to BSUoS costs made to the RF billing, which occurs after the SF run, cannot be reflected in the Default Tariff Cap. • Winter 20 price cap (July 2019 to June 2020 BSUoS), in the past now so cannot be recovered. • Summer 21 price cap (calendar 2020 BSUoS), which was published on 7th February 2021 and can no longer be changed • Winter 21 price cap (July 2020 to June 2021 BSUoS). This will be published by 6th August 2021 but will use SF data under the current methodology, so will not recover additional costs pushed through RF. If the RF run is used then commercial and industrial consumers on BSUoS pass-through contracts will face unexpected retrospective costs occurring in different budgeting periods. This will make it very difficult for them to manage their business finances and would be an unwelcome additional cost falling in a difficult period for many following the last year of disruption due to Covid-19. Also, a large number of these consumers are likely to have moved to a different supplier further complicating matters. If industry parties had been given transparency of these errors in advance of 9th April 2021 then Suppliers could have communicated this more effectively.

		Therefore, it will be better for Suppliers, Generators and Consumers if the recovery of these costs is through the 2021/22 SF runs rather than the 2020/21 RF run. We believe that this approach will not significantly change the ESO cashflow and does not unexpectedly penalise (or reward) industry parties for this unforeseen cost recovery adjustment.
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.	It is more important to socialise the costs across users in FY 2021/2022 as without doing so the issues with the Default Tariff Cap calculation, problems for non-domestic consumers, Suppliers and Generators are not resolved. We cannot think of a way that Default Tariff Cap calculations could work if using a complex solution to target the liable users for the costs associated with trading activities error.
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.	Yes, we believe that the costs should be recovered from 1st October 2021 to 31st March 2022 (as per Original proposal) as it gives a reasonable notice period for future charges. The ESO RF approach, as set out in its 9th April 2021 note, does not allow Suppliers to pass through the unexpected extra 2021/22 costs in the Default Tariff Cap. This is because of the way in which Default Tariff Cap is constructed and which BSUoS costs (SF not RF) that it uses in the twice yearly calculation to construct it for future application This could cause marginally-viable suppliers to fail, depriving consumer of choice and causing them much worry as most do not have a good understanding that a Supplier failure does not imperil their physical ongoing supply of electricity. Under the ESO's RF approach non-domestic consumers are also faced with extra bills that until 9th April 2021 they could have had no idea were coming, due not to real balancing service phenomena but to an ESO error.
8	Will the CMP373 Original Proposal or any of the potential	The CMP373 Original Proposal minimises the impact on our business and end consumers as the avoidance of shock costs, that were not known of or forecastable prior

	alternative solutions impact your business and/or end consumers. If so, how?	to 9th April 2021, will avoid damage to investor confidence and thereby keep costs down through effective and economic competition.