

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:	Kamila Nugumanova Kirsty Ingham
Company name:	ESB Generation and Trading
Email address:	Kamila.nugumanova@esb.ie
Phone number:	07917751863

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	<p>Do you believe that the CMP373 Original Proposal better facilitates the Applicable Objectives?</p>

Yes, we believe that CMP373 Original proposal better facilitates the following Applicable Objectives:

Objective A: Positive

This modification will remove potential distortions that may appear between generators as a result of retrospective charges being applied in the proposed ESO baseline approach. It will provide an opportunity for BSUoS-liable parties to factor in the unforeseen increase in charges and recover it through their commercial and trading strategies if they wish to do so.

Objective B: Neutral

This modification will not impact Transmission Licensee’s abilities to recover costs they incur in their transmission businesses

Objective C: Neutral

This modification will not impact the way the applicable charging methodologies take into account the developments in transmission licensees’ transmission businesses

Objective D: Neutral

This modification will not have any impact on compliance with European Regulations

Objective E: Neutral

This modification will not affect the ESO’s ability to efficiently administer the system charging methodology

2	Do you support the proposed implementation approach?	Yes, we support the proposed implementation approach.
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, we believe that recovering this amount through FY 2021/22 SF Run is a more efficient and appropriate approach. It will give an opportunity to BSUoS-liable parties to accommodate this unforeseen increase in charges. While RF run solution proposed by the ESO has similar timelines with regards to the actual payments, the key difference is that it places the burden on parties retrospectively, therefore creating potential distortion between system-users that are able to absorb the increase and those that are significantly impacted by this.</p> <p>While the RF Run assumes some correction vis-à-vis the SF Run, it is not reasonable to expect parties to account for such a significant difference. In a typical year, the difference would not be material, therefore, parties who settled invoices based on their SF Runs in the applicable period could not foresee such a substantial reconciliation.</p> <p>Hence, it is fairer to recover this amount with adequate warning to parties so that they can cater for this increase and factor it into their commercial practices appropriately. This modification allows to do that by moving the required recovery of charges to the SF Run, thus, giving sufficient room for parties to react.</p> <p>In addition, in the baseline approach proposed by the ESO the recovery of the charges in question is targeted, i.e. it would fall on the days and SPs corresponding to the exact timings of when the under-recovery happened in FY 2020/21, with the majority falling into Nov-Feb period. This is likely to lead to an exacerbated impact on individual</p>

		<p>parties and lead to material exposure in specific SPs and settlement days, because, in addition to generally high-BSUoS over the winter months, users will be liable for this additional charge.</p> <p>This is likely to create some competitive disadvantages and distortions since BSUoS forecasting and pass-through is largely driven by commercial decisions of individual companies. Some users may not be able to absorb this increase, so without the opportunity to recover these charges in forward-trading or pricing, individual companies may be substantially impacted.</p>
6	<p>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>	<p>Yes, we believe that socialising costs across users in FY2021/2022 is a more appropriate mechanism. It will allow smearing the costs over a wider group of users, therefore, reducing exposure of any individual party.</p> <p>This will be in line with the principles established by the BSUoS TF, specifically the fact that there are no meaningful forward-looking signals in BSUoS charges and they are largely a cost-recovery instrument.</p>
7	<p>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>	<p>It is our view that recovering the costs through SF Run is more appropriate as per our arguments above. In terms of implementation dates and the length of the period of which these amounts should be recovered, we support both options, with more preference towards recovering this applicable amount from 1 June 2021 to 31 March 2022.</p> <p>While recovering these costs from 1 October 2021 to 31 March 2022 may appear to be a more correct reflection of the exact allocation that would have happened in the applicable period in FY 2020/21, this assumption likely presents a false level of accuracy. There is no substantial evidence to believe that parties that will be generating/consuming over the period of Sep- March this year will be exactly the same parties as those that would have incurred the charges this time last year. There are many factors, including correction for weather and demand, that would mean that this may not be the case. In addition, last year</p>

		<p>was an 'exceptional' Covid-19 year with significant impact on generation and demand profiles.</p> <p>Smearing recovery across a longer period of time, i.e. June 2021- March 2022 will provide a more manageable allocation of the total amount to be recovered. It will also minimise the impacts on any individual party and will provide more certainty and predictability of charges for users.</p>
8	<p>Will the CMP373 Original Proposal or any of the potential alternative solutions impact your business and/or end consumers. If so, how?</p>	<p>Yes, the original proposal will have a positive impact on our internal accounting and trading processes (compared to the NGENO solution this Modification seeks to amend). It will remove the need for additional administrative efforts in accounting and cashflow management that would be required as a result of material reconciliation.</p> <p>It will also allow us better to manage our retail and wholesale pricing and trading portfolio.</p>