

CUSC Alternative and Workgroup Vote

CMP373: Deferral of BSUoS billing error adjustment'

Please note: To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

Stage 1 - Alternative Vote

If Workgroup Alternative Requests have been made, vote on whether they should become Workgroup Alternative CUSC Modifications (WACMs).

Stage 2 - Workgroup Vote

2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).

2b) Vote on which of the options is best.

Terms used in this document

Term	Meaning
Baseline	The current CUSC (if voting for the Baseline, you believe no modification should be made)
Original	The solution which was firstly proposed by the Proposer of the modification
WACM	Workgroup Alternative CUSC Modification (an Alternative Solution which has been developed by the Workgroup)

The Applicable CUSC Objectives (Charging) are:

- 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;
- 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);
- 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;
- Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and
- 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).

Workgroup Vote

Stage 1 – Alternative Vote

Vote on Workgroup Alternative Requests to become Workgroup Alternative CUSC Modifications.

The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.

Should the majority of the Workgroup OR the Chairman believe that the potential alternative solution would better facilitate the CUSC objectives (against Baseline or the Original) then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative CUSC modification (WACM) and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.

“Y” = Yes

“N” = No

“-“ = Neutral

No Alternative Vote required

Stage 2a – Assessment against objectives

To assess the original and WACMs against the CUSC objectives compared to the baseline (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

ACO = Applicable CUSC Objective

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Paul Mott – EDF Energy						
Original	Y	-	-	-	-	Y
Voting Statement: The CMP373 Original avoids the adverse impact that the original (status quo) has on the Default Tariff Cap calculations, both past and future. Status quo would have an anti-competitive discriminatory, differential, effect on domestic-sector-biased Suppliers that are more focussed on the domestic market. The original version of the mod does not unexpectedly penalise (or reward) industry parties for this unforeseen cost recovery adjustment.						

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Jenny Doherty – National Grid ESO						
Original	N	-	-	-	N	N
Voting Statement: We do not believe that CMP373 will better facilitate competition. Using the existing RF run ensures parties who were liable for the charges, will pay them. The RF run also provides the most visibility of upcoming charges, therefore companies can make the necessary business decisions around how to recover these charges, as well as it is supporting cash flow for suppliers who may need it. We also believe that CMP373 will negatively impact the administration of CUSC arrangements, as it adds another time-limited element to Section 14 which will need another modification to be removed at a future point.						

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Paul Jones – Uniper						
Original	N	N	N	-	-	N
Voting Statement: Objective a) (Competition) - Parties will be exposed to different costs than they would have been had the error not happened, as their position in 2021/22 will not necessarily reflect that in 2020/21. This will be largely on an arbitrary basis and will either benefit or undermine them competitively. There is an argument to address the issues with the price cap and pass through contracts, but this is likely to be a relatively small subset of the whole charging base and is not worth the disruption to the rest of the market caused by addressing it in this manner.						

Objective b) (Cost reflectivity) - CMP373 less cost reflective as parties will be exposed to different costs than they would have been had the error not happened.

Objective c) (Reflecting developments in the ESO's business) - CMP373 fails to do this. Error should be reflected in respect of the charging year in which it occurred.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Matthew Cullen – E.ON Energy					
Original	Y	-	-	-	Y	Y

Voting Statement:

The original Proposal ensures that costs that have been incurred can be passed through to all customers and not a subset (the Price Cap methodology currently does not allow costs to be passed through to customers via the RF settlement data. This ensures that there is no market distortion between suppliers with differing portfolios and hence better addresses ACO (a). The use of a simple socialisation through the 2021/22 SF settlement run by adding a constant additional amount each day and then weighting it by the chargeable volumes across each settlement period (business as usual) also ensures that the rectification of this error is done as efficiently as possible thereby better facilitating ACO (e).

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Lauren Jauss – RWE					
Original	Y	-	-	-	-	Y

Voting Statement:

The original proposal avoids the adverse impact on the Default Tariff Cap calculations which would be discriminatory towards suppliers to the domestic market since they would not be able to recover these costs from consumers if billed retrospectively via the RF run.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Paul Youngman – Drax					
Original	Y	-	-	-	-	Y

Voting Statement:

This modification was raised to ensure that competition is not impacted due to the exceptional difference between SF and RF runs caused by the failure to account for circa £44m costs correctly.

Under the baseline arrangements, the ESO proposes to recover circa £10m related to the Loss of Mains Project Costs (LoMPC) through the 2021/2022 SF process. However, it proposes to recover the remaining £34m of trading costs through the 2020/2021 RF process despite these not having been identified in the 2020/2021 SF process.

We agree with the proposer that recovery through the RF of the £34m in unforeseen trading costs may lead to distortions and /or would be distributed unevenly between groups of customers. We also note the practical difficulties for suppliers with recovery following either a change of supplier, or rebilling a customer based on the RF run.

As highlighted in the workgroup discussions, the recovery of the £34m of trading costs would be in addition to the 'normal' difference between the SF and RF runs. It is believed that this difference is particularly high this year when compared with previous years. Given these circumstances we agree with the proposer that the modification is Positive with regards to relevant objective (a) facilitating effective competition. The modification should mitigate any potential distortions by enabling market participants to recover costs appropriately from customers over a reasonable timeframe. We note that the ESO has stated that there will be minimal impact on ESO cashflow by deferring these costs to the FY 2021/2022 Settlement Final (SF) Run.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Phil Broom – Engie					
Original	Y	-	-	-	-	Y

Voting Statement:

The original modification better facilitates objective a) - competition in the supply and sale of electricity as the proposal would be prospective rather than retrospective in nature and would give parties better notice of costs and improve the prospect of cost recovery.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Grace March – Sembcorp					
Original	Y	-	-	-	-	Y

Voting Statement:

Placing the cost recovery in the RF as proposed by the ESO within the baseline will create a distortion between suppliers who can recover charges from consumers and those who cannot, either because of the Supplier price cap or their commercial contract featuring BSUoS pass-through that doesn't include RF runs. The Original modification therefore facilitates competition by removing this distortion between Suppliers and socialising the cost recovery.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Gareth Evans – Waters Wye Associates					
Original	Y	-	-	-	-	Y

Voting Statement:

The proposal better facilitates objective a) as the charge become prospective in nature so removing the risk of under recovery of industry costs by industry parties.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Kamila Nugumanova – ESB					
Original	Y	-	-	-	-	Y

Voting Statement:

This modification will have a positive impact on CUSC Charging Objective A. It will help the market to avoid potential distortions that may appear between generators as a result of retrospective charges being applied in the proposed ESO baseline approach. It will also 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.

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 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. This is likely to create some competitive disadvantages and distortions among generators. Furthermore, there is a risk of significant material impact on individual HH-settled demand parties, such as energy intensive users with cost pass-through contracts.

Therefore, socialising costs across users in FY2021/2022 via SF runs is a more appropriate mechanism. It will allow smearing the costs over a wider group of users, therefore, reducing exposure of any individual party.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Damian Clough – SSE Generation Ltd.					
Original	Y	Y	-	-	-	Y

Voting Statement:

- 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;*

Positive

BSUoS costs from the SF settlement run, feed into future price cap calculations, however costs from the RF settlement run do not. By recovering those costs from Suppliers not correctly billed through the SF run in 2020/21, in the RF run for 2020/21 this will create difficulties for Suppliers who will be faced with the choice of looking to recover, if they can, those costs from customers who may not be on their books anymore through reconciliation processes, or recovering those costs from their existing customer base with the problem that the price cap calculation; which is linked to SF (not RF) run related costs; will not reflect those RF run related costs. This will potentially harm competition as how these costs are recovered, and the options available to each Supplier will differ. Recovering costs through future SF settlement runs (in 2021/22) removes those distortions on competition. Therefore, CMP373 better facilitates Applicable Objective (a).

- 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);*

Positive

BSUoS is a means of recovering the costs of operating and keeping in Balance the Transmission System as determined by the Balancing Services Taskforce. They do not provide a cost signal or reflect the costs a user puts on the System by using the System at a particular moment in time. Therefore, accurately recovering costs from a particular Settlement Period or User is unnecessary. The ESO will still recover the same amount of costs for 2020/21 from Industry Parties following this proposal as they would have done using the current baseline, albeit slightly later. Therefore, as described in objective a) the ability of Industry parties to recover those costs from the end consumer and be left whole, will be improved by this proposal, thus aligning cost recovery from all Parties, not just intermediaries, with costs incurred by the ESO.

Therefore, CMP373 better facilitates Applicable Objective (b).

All other objectives are neutral.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	George Moran - Centrica					
Original	Y	-	-	-	-	Y
Voting Statement: Agree with the rationale provided by the Proposer.						

Stage 2b – Workgroup Vote

Which option is the best? (Baseline or Proposer solution (Original Proposal))

Workgroup Member	Company	BEST Option?	Which objective(s) does the change better facilitate? (if baseline not applicable)
Paul Mott	EDF Energy	Original	a
Jenny Doherty	National Grid ESO	Baseline	n/a
Paul Jones	Uniper	Baseline	n/a
Matthew Cullen	E.ON Energy	Original	a and e
Lauren Jauss	RWE	Original	a
Paul Youngman	Drax	Original	a
Phil Broom	Engie	Original	a
Grace March	Sembcorp	Original	a
Gareth Evans	Waters Wye Associates	Original	a
Kamila Nugumanova	ESB	Original	a
Damian Clough/Garth Graham	SSE Generation Ltd.	Original	a and b
George Moran	Centrica	Original	a

Of the 12 votes, how many voters said this option was better than the Baseline.

Option	Number of voters that voted this option as better than the Baseline
Original	10