

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:	Grace March
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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>Positive against ACO a). It was the conclusion of the Balancing Services Task Forces that Users do not, generally, apply half-hourly or daily BSUoS forecasts when interacting with various markets and setting tariffs, mainly because BSUoS is so difficult to forecast. The extra £33m applied to the RF run, as proposed by the ESO, would be known and therefore it is reasonable to expect parties to adjust their prices in response, thus creating a market distortion.</p> <p>Recovering the costs through the RF run also could affect competition between suppliers with different business models. Those who are limited by the Cap will not be able to recover the costs for the period, nor will those suppliers to do not pass through RF runs, as generally they are very small. Suppliers who can pass-through RF runs to the consumer will be able to recover the extra costs. If the costs have been recovered through the normal methodology, this distinction would not arise.</p>
2	Do you support the proposed implementation approach?	Yes. Pinpointing the recovery to particular days seems to be more work than is justified, given the volumes involved will be different and this is a one-off incident.
3	Do you have any other comments?	<p>We are confident that steps the ESO are taking will reduce the likelihood of something like this happening again, but it does further indicate (on top on the findings of the Balancing Services Task Forces) that BSUoS is no longer fit for purpose. Assigning costs to a Settlement Period is a straightforward solution and functioned well enough when the costs recovered where relatively small. Now they are larger, the difficulty in correcting any mistake (or impact of any billing errors) is noticeably more difficult. As BSUoS recovery is tied so closely to Settlement Periods and unpredictable (even on a medium term timeline), modifications have been required to be Urgent, putting pressure on the ESO and risking confusing Users. It is vital therefore that wider BSUoS reform, in flight with Modifications CMP361/362 and CMP363/364, be in place as soon as reasonably possible.</p>

4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	N/A
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>Recovering costs through the RF run creates a distinction between types of Suppliers. Tariffs under the Cap will not be able to recover the costs – since they were not included in the calculation for the affected settlement days (as per the methodology) but they will not be included in the calculation for future periods either, leaving those Suppliers out-of-pocket compared to Supplier who's tariffs are not/less limited by the Cap, such as those with a large non-domestic portfolio.</p> <p>As RF costs are generally considered to be small, some Suppliers that charge BSUoS on a pass-through basis do not charge consumers for RF, while others may do so. Suppliers that do not charge RF as pass-through, as the costs are small will be penalised, as they will not be able to recover the extra charges through future prices without becoming uncompetitive.</p> <p>As soon as costs are recovered through the SF, both these distinctions between types of supplier disappear, improving competition.</p>
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.	As this is a one-off incident, attempting to target particular Users is an impractical approach. The amount of work required by the ESO would be significant and unlikely to be successfully. Liable Users who are no longer active will become bad debt for the ESO and market conditions will be different when the invoices land, meaning impacts on parties will differ from “what would have happened”. Socialising both sets of costs though the SF run is only practical solution, given how the Cap is calculated.
7	Do you believe that the costs should be recovered from 1	Higher volumes during October 21 – March 22 would limit any distortions created by socialising the costs and reduce the impact on Users who were not liable under the

	<p>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>correct application (such as new entrants). The Original proposal is therefore slightly preferable to June 21 – March 22. Either option is significantly preferable to the RF runs, given the effect on competition between Suppliers.</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>Please see confidential response.</p>