

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:	Sam Hughes
Company name:	Citizens Advice
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Phone number:	03000 231908

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>	<p>CMP 373 Original Proposer is worse than the status quo and does not better facilitate the Applicable Objectives.</p> <p>Assessment against Applicable Objectives:</p> <p><i>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</i></p> <p>Negative</p> <p>This modification would reward industry parties to the detriment of consumers. The proposal seeks to move costs to a future period. This means suppliers can potentially recover more costs by increasing prices to consumers for the future period.</p> <p>This is not justified. For example, with fixed-price deals suppliers accept the risk of BSUoS outturn. If the ESO error had not taken place suppliers would have been exposed to the true outturn BSUoS level for these fixed-price deals. This proposal seeks to reduce suppliers' exposure to the outturn BSUoS level, by allowing them to reflect some of the true cost in future prices, and will mean consumers pay more.</p> <p>This will cause a redistribution of costs between different consumers and suppliers, negatively affecting competition.</p> <p><i>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)</i></p> <p>Negative</p>

		<p>Under this proposal, charges would no longer accurately reflect the costs incurred in either 2020/2021 or 2021/22.</p> <p>Neutral against the remaining objectives.</p>
2	Do you support the proposed implementation approach?	No
3	Do you have any other comments?	The assessment of consumer impact is limited to one paragraph and only seems to consider consumers on pass-through contracts. This, therefore, fails to properly assess the full consumer impact.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No
Modification Specific Workgroup Consultation questions		
5	<p>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>	<p>It is not appropriate to recover these costs in the FY 2021/2022 Settlements Final (SF) Run. It would be detrimental to consumers as it is likely to increase costs to consumers, to the benefit of suppliers, relative to if the ESO error did not take place.</p> <p>Many consumers will have entered into fixed-price deals covering the 2020/2021 period. For those deals, the supplier has accepted the risk around BSUoS outturn, reflecting the unpredictable nature of BSUoS and probably including a risk premium. If the ESO error had not taken place, suppliers' liabilities for 2020/2021 would not be in question. However, this proposal seeks to move the costs to a future period and so allow suppliers to recover more costs by increasing prices to consumers for the future period. This means that suppliers will recover more money from fixed-price deals than would have been the case if the error had not taken place. This is an unjustified reward for suppliers to the detriment of consumers.</p> <p>We agree it is not ideal for consumers on pass-through terms to receive significant reconciliations increasing costs. However, it remains preferable for those consumers to receive <i>correct</i> increases in costs than for</p>

		<p>consumers in 2021/2022 to receive increases in costs that do not relate to that period.</p> <p>Whilst we recognise there is an issue around the Default Tariff Cap, this is not a relevant consideration. The CUSC rules should ensure that costs are allocated fairly. How the Default Tariff Cap aligns to this does not come under the scope of the CUSC.</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>As explained in Q5, socialising costs across users in FY 2021/2022 results in an unjustified reward for suppliers to the detriment of consumers, when compared to if the ESO error had not taken place.</p> <p>The Default Tariff Cap calculations do not sit under the CUSC and are not relevant here. Suppliers can raise this issue with Ofgem separately.</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>Costs should be recovered through the RF runs.</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>The Original Proposal and all of the alternatives result in an unjustified reward for suppliers to the detriment of consumers.</p> <p>The proposer's assessment of consumers benefits is not robust. The 'positive' impact against 'lower bills than would otherwise be the case' does not stand up to scrutiny. The purpose of this modification, by moving costs to be recovered via the SF run for a future period, appears to be to allow suppliers to recover more of these</p>

		costs from consumers and so, as a matter of fact, it will result in higher bills than would otherwise be the case.
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