

Workgroup Consultation Response – Pro-Forma

CMP308: Removal of BSUoS charges from Generation

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 by **8 May 2019** to cusc.team@nationalgrideso.com. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the CUSC Modifications Panel when it makes its final determination.

These responses will be included in the Final CUSC Modification Report which is submitted to the CUSC Modifications Panel.

Respondent:	<i>Simon.lord@Engie.com</i>
Company Name:	<i>Engie</i>
<p>Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries)</p>	<p>We do not support this proposal and believe that it will lead to additional cost being born by consumers principle around addition cost to mange the system over night and additional costs being imposed on Suppliers to manage the risk associated with a doubling of a cost that is difficult if not impossible to forecast. We have proposed a consultation alternative that mitigates these effects.</p> <p>As currently set out we do not support the proposal we believe that there are issue that need to be addressed by the working group in the following areas:-</p> <p>A Daily shape of BNSUoS</p> <p>As detailed in the working group report (2.6) the effect of the proposal will be to exacerbate the existing distortion that leads to higher overnight BSUoS charges that produces a feed back effect of increased BSUoS cost as demands reduce further and the system operator seeks to ensure system stability and security. We have proposed a consultation alternative that we believe will to a large extent mitigate this effect.</p> <p>B The inclusion of storage demand in the solution.</p> <p>We believe that only final consumption (demand) should be subject to residual cost recovery (such as BSUoS. This proposal will double the recovery from storage demand. Whilst there may be a mitigation in lower wholesale energy cost overall it is by no means certain when or how this mitigant will occur. The cost increase for storage though is absolutely certain thus we believe on balance this proposal will negatively impact storage to a significant degree.</p> <p>CMP 281 is currently progressing through the CUSC process and we believe that if CMP281 (removal of BSUoS from storage) and was implemented ahead or at the same time as CMP308 this defect would</p>

be removed.

C Missing analysis embedded generation

This proposal will lead to the “automatic” doubling of the effect of embedded benefits. Whilst there is a mitigation from the consumer perspective of this effect driven by lower power prices it is by no means certain as to when or how this may occur and in any event power prices are not expected to reduce by the same magnitude as the BSUoS increase. Limited embedded analysis has been presented and this needs to be further developed to establish: -

- 1) The effect on embedded generation with cfd/fit arrangements
- 2) The effect on embedded generation that operate solely in the Ancillary Services/BM so are not in principle impacted by power price as their marginal cost in general exceed power price.
- 3) The effect on embedded generation that spill onto the system.

The collective effect of these issue on consumer costs.

D Missing analysis supplier cost

Further analysis / discussion is also required in the following areas :-

- 4) The effect on Suppliers both in terms of cash flow increase and the required levels of credit support. With quantification of the additional administration costs faced by this group.

E) Interaction (if any) with Public Service Obligation

Any interaction with the Public Service Obligation contained in National Grids licence relating to BSUoS (see Q8)

Standard workgroup consultation questions

1	Do you believe that CMP308 Original proposal, better facilitates the Applicable CUSC Objectives?	<i>No we do not believe that this modification as it currently stands will lead to consumer benefits. We have proposed a consultation alternative that goes some way to mitigate the negative effects.</i>
2	Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.	<i>In general we support the approach for this type of modification of implementation at “next following April after an Ofgem decision”</i>
3	Do you have any other comments?	<i>See Q1</i>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<i>Yes see attached</i>

Specific questions for CMP308

5	Do you feel it is more efficient for BSUoS to be handled by customers / suppliers rather than customers / suppliers and generators?	<i>Unclears if this is the case. The cash flow implication for suppliers as well as the additional credit requirement have not been quantified. The assumption that it may be equal an opposite to the generator savings is implicit in the modification but does require some basic analysis to be presented.</i>
6	If CMP308 were to be implemented, what would your thoughts be in regard to combined/net risk premia?	<i>We believe that that this would increases as overnight demand users face a significantly increased risk compared to the base load generation that would no longer be exposed to BSUoS.</i>
7	What do you feel would be a sufficient lead time for the implementation of this modification? Would you support a non-April (i.e. October) implementation date in any given year? Please	<i>In general, we support the approach of the next following April after an Ofgem decision for this type of modification.</i>

	<p>provide an explanation for your response</p>	
<p>8</p>	<p>Has the Analysis comprehensively considered consumer/system benefits, or can you identify any area which may need more consideration by the workgroup?</p>	<p><i>No further analysis is required in the following areas</i></p> <p>Missing analysis embedded generation</p> <p>This proposal will lead to the “automatic” doubling of the effect of embedded benefits. Whilst there is a mitigation from the consumer perspective of this effect driven by lower power prices it is by no means certain as to when or how this may occur and in any event power prices are not expected to reduce by the same magnitude as the BSUoS increase. Analysis needs to present in the following area to establish: -</p> <ul style="list-style-type: none"> • The effect on embedded generation with cfd/fit arrangements • The effect on embedded generation that operate solely in the Ancillary Services/BM so are not impacted by traded power prices or spill as these in general have marginal cost that are in excess of power/spill price. • The effect on embedded generation that spill onto the system. <p>The collective effect of this on consumer costs.</p> <p>Missing analysis supplier cost</p> <p>Further analysis / discussion is also required in the following areas :-</p> <ul style="list-style-type: none"> • The effect on Suppliers both in terms of cash flow and required levels of credit support. With quantification of the additional administration costs faced by this group. <p>Public Service Obligation NG licence condition</p> <p>During CMP 281 discussions the issue of the PSO related to BSUoS has been raised by the ESO and others. The issue is common across a number of modification and whilst we do not see this as a barrier to CMP 308 and believe it is a “misinterpretation of the obligation” that was put in place to prevent the zonal application of BSUoS it should be addressed given the common nature of the obligation across all BSUoS modifications.</p> <p>The following are extracted from CMP 281 working group consultation</p> <p>Socialisation of Costs</p>

		<p>The reference made in the discussion relate to the “Government Response to the technical consultation on the model for improving grid access” published in July 2010. This document made it clear that “constraint” costs should be socialised across all generators and suppliers on a per MWh basis as a public service obligation on an enduring basis. The following may be relevant:</p> <p><i>“All constraint costs, including those arising from advanced connection, will be socialised across all generators and suppliers on a per-MWh basis, as they are at present under the Interim Connect and Manage arrangements. Standard condition C26 of the transmission licence sets the principle of socialising constraint costs on an enduring basis”.</i></p> <p>This is reflected in C26 of the Generation licence as follows:</p> <p><i>“6. The licensee shall use all reasonable endeavours to ensure that in its application of the use of system charging methodology in accordance with standard condition C5 (Use of system charging methodology), use of system charges resulting from transmission constraints costs are treated by the licensee such that the effect of their recovery is shared on an equal per MWh basis by all parties liable for use of system charges.”</i></p>
9	Are there any thoughts on the impact of CMP308 on the generation mix, be that short or long term?	<i>Neutral</i>
10	Are there any unintended consequences of CMP308 which have not as yet been considered by the workgroup?	<i>Potentially on renewable support mechanism that do not have BSUoS adjustment as well as any industry contracts (PPA's) that don't allow BSUoS adjustments.</i>
11	Will there be any specific impact on renewable or distributed generation, be that long or short term?	<i>A potential negative consumer impact relating the interaction with renewable support mechanisms where strike prices are fixed and there is no adjustment for BSUoS change. Further work is need in this area.</i>
12	Will there be any	<i>Yes some supplier costs as well as renegotiable of</i>

	significant IT costs to change your systems as a result of CMP308? If so please give detail.	<i>long term PPA agreements.</i>
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