

## Workgroup Consultation Response Proforma

### 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 to [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com) by 5pm on **26 April 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 Kavita Patel [Kavita.Patel@nationalgrideso.com](mailto:Kavita.Patel@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com)

Respondent details	Please enter your details
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#### For reference the Applicable CUSC 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 subparagraphs (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*

**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 CMP308 Original proposal better	CUSC objective a) Yes, but qualified with comments. We do not believe 2 years is enough for suppliers and

	facilitates the Applicable Objectives?	consumers to adjust to this change in their cost base. We believe that this could impact in competition between suppliers due to their differing contractual positions and purchasing strategies and that a lead time of at least 3 years would be required. (2024 / 2025 implementation date). An implementation date later than 2023 would also remove the clash with TCR TNUOS pricing changes which will also provide a price shock for some non-domestic consumers. To have both pricing changes in the same year would exacerbate the price shock for consumers.
2	Do you support the proposed implementation approach?	Broadly yes but with a longer lead time
3	Do you have any other comments?	<p>We understand the rationale for removing BSUOS from UK generation to place them on a level playing field with European Generators. It would also send clearer signals to suppliers and consumers.</p> <p>However, we have previously argued that charges should be allocated proportionately to those that cause balancing actions to be taken which includes Generators, but we understand that this has now been dismissed as an option by the recommendation of the second task force.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No
<b>Modification Specific Workgroup Consultation questions</b>		
5	Please provide your thoughts on the Workgroup's discussions post reconvening after the outcome of the Second Balancing Services Charges Task Force. Is there anything else that the Workgroup may need to consider?	<p>We do not believe the following points have been sufficiently considered:</p> <ul style="list-style-type: none"> <li>• BSUoS averaged approximately £2.30 in 2017 (and much lower in the original MOD201 analysis) Its now forecast to be £3.50-4.00 in 2021.</li> <li>• Net zero ambitions for more intermittent generation such as offshore wind is likely to keep pushing constraints and BSUoS costs higher in future.</li> <li>• CFD contract strike prices will already have BSUoS factored into the generators cost stack</li> </ul>

		<p>and strike price will be fixed in for 20 years. ie Hinkley Point C.</p> <ul style="list-style-type: none"> <li>• If it produces lower market prices it will increase the CfD scheme top up payments as well increasing the burden on consumers. Strike prices should be adjusted if BSUoS removed?</li> <li>• At least 3-year lead time with consideration that other significant changes are being made, such as TCR and SCR 2023/24 implementations.</li> </ul>
6	<p>What are your thoughts on the workgroup's discussions in regard to final demand data? Do you think the suggested solutions are appropriate? Please provide your rationale</p>	<p>We support the volumetric suggestion of £ per MWh as a basis for the charges.</p>
7	<p>What are your thoughts on the draft legal text outlined in Annex 3? Please provide any comments you may have.</p>	<p>We have not reviewed the legal text</p>