

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.

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| Respondent: | <i>Kate Garth – 07989 490 747</i> |
| Company Name: | <i>Innogy Renewables UK Ltd</i> |
| Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning. | <p>For reference, the Applicable CUSC objectives are:</p> <p>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;</p> <p>(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);</p> <p>(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;</p> <p>(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission Plc Licence under Standard Condition C10, paragraph 1*; and</p> <p>(e) Promoting efficiency in the implementation and administration of the CUSC arrangements.</p> <p>*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).</p> |

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| <p>Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.</p> | <p><i>It will be important to ensure there is consistency across the implementation of all final network charging reforms, to ensure that measures to increase overall competitiveness domestically do not lead to inconsistent investment signals through piecemeal reform implementation.</i></p> <p><i>We would therefore request that a formal decision on this CUSC modification is delayed until there is clarity from Ofgem on their final decision regarding the TCR and BSUOS reforms (this is especially pertinent following the recent publication of the report and consultation from the BSUOS Taskforce on 3rd May),</i></p> |
| <p>Do you have any other comments?</p> | <p><i>No</i></p> |
| <p>Do you feel it is more efficient for BSUoS to be handled by customers / suppliers rather than customers / suppliers and generators?</p> | <p><i>No comment</i></p> |
| <p>If CMP308 were to be implemented, what would your thoughts be in regards to combined/net risk premia?</p> | <p><i>As above, we are not able to comment on the supplier / demand customer perspective. Care should be taken to ensure all suppliers have sufficient sight of and engagement with this modification.</i></p> |
| <p>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 provide an explanation for your response</p> | <p><i>We would expect a minimum 2 year implementation period in order to provide time for suppliers and their customers to manage the transition in an orderly way - the workgroup have already flagged up potential issues with the interaction with the Price Cap methodology and so clearly time will be required to resolve those issues outside of this process.</i></p> <p><i>We do not support a non April (i.e. October) start date, due to the potential risks of changes to wholesale prices and wider changes to network charging which would more likely be introduced from April. We would not wish to see a situation of multiple changes happening through a charging year and instead would like a “clean introduction” so that any observable impacts, impacting certain generators / customers can be assessed in the round.</i></p> <p><i>Please note also our previous comment regarding the need to</i></p> |

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| | <i>avoid piecemeal changes resulting from the charging reform.</i> |
| Has the Analysis comprehensively considered consumer/system benefits, or can you identify any area which may need more consideration by the workgroup? | <i>Yes</i> |
| Are there any thoughts on the impact of CMP308 on the generation mix, be that short or long term? Will there be any significant IT costs to change your systems as a result of CMP308? If so please give detail. | <i>We have no specific comments re the impact on the generation mix, other than potential impact on future investment in distributed renewables. We do not anticipate significant IT costs arising from changes in our systems to implement CMP308</i> |
| Are there any unintended consequences of CMP308 which have not as yet been considered by the workgroup? | <i>We are not aware of any additional areas which haven't been considered.</i> |
| Will there be any specific impact on renewable or distributed generation, be that long or short term? | <i>There is likely to be a specific impact on distribution connected generation from lower revenues resulting from the reduced wholesale price that cannot be assumed to be mitigated by potential increases in the level of BSUOS credits provided by suppliers – given the uncertainty around the outcome of the ongoing TCR proposals Given there are currently few alternative markets available to low carbon, intermittent generators, there is a risk that this proposal may reduce the perceived viability of unsubsidised renewables in the short to medium term,.</i> |
| Will there be any significant IT costs to change your systems as a result of CMP308? If so please give detail. | <i>No</i> |