Code Administrator 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 by **5pm** on **31 August 2021**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact Joseph Henry at joseph.henry2@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
Respondent name:	Damian Clough
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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 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.*

Please express your views in the right-hand side of the table below, including your rationale.

Standard Code Administrator Consultation questions		
1	Do you believe that the CMP308 Original Proposal better facilitates the Applicable Objectives?	Yes *(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;* ***Positive*** CMP333 implemented for April 2021, a change to how BSUoS is charged for Suppliers BMU's. BSUoS will be charged on Gross Demand for those BMU's. This removed an Embedded Benefit but did not create a charge for Exports (Generation) within those BMU's, as only Gross Demand will be charged BSUoS. By removing the BSUoS charge from CVA Generator BMU's this will create a level playing field with Exporting SVA Generation. A level playing field is crucial for competition. Outside of GB, in the vast majority of EU countries, Generators are not charged the equivalent of BSUoS. For those EU countries that may apply an equivalent type of charge, the magnitude is much smaller than GB generator BSUoS. With increased interconnectivity with Europe, disparity in charges will be exploited to the detriment of competition. Removing the BSUoS charge from Generation will therefore also create a more level playing field with Europe. *(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);

Positive

The BSUoS taskforce determined that BSUoS charges is cost recovery, as it does not provide an effective, or useful price signal. Removing the charge from Generation is better for cost reflectivity because it removes a non-cost reflective charge which, if left in place, would incentivise economically inefficient behaviour. It is not detrimental to cost reflectiveness as it just transfers the cost to demand who ultimately pay for the Generator's element of BSUoS through the wholesale charge. Based on the current baseline BSUoS is currently variable and unpredictable, therefore a risk premia is added. BUSoS costs when they reach the end consumer are higher than those initially charged. Removing the charge from Generation better aligns costs and charges

(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; ***Neutral***

*(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 ** ***Neutral***

2	Do you support the proposed implementation approach?	Yes. Consideration should be made that if CMP308 is approved then risk is transferred to Suppliers. CMP361/CMP362 therefore helps to reduce that risk on Suppliers. This further emphasises the need for both mods to be approved and implemented at

		the same time in April 2023. (as recommended by the BSUoS taskforce).
3	Do you have any other comments?	No