

Workgroup Consultation Response Proforma**CMP361 & CMP362: BSUoS Reform: Introduction of an ex ante fixed BSUoS tariff & Consequential Definition Updates**

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 24 September 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 Jennifer Groome Jennifer.Groome@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
Respondent name:	Grace March
Company name:	Sembcorp Energy UK
Email address:	Grace.march@sembcorp.com
Phone number:	06554439689

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.

CMP361**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).*

CMP362

For reference the Applicable CUSC (non-charging) Objectives are:

- a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;
- b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;
- c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and
- d) Promoting efficiency in the implementation and administration of the CUSC arrangements.

**Objective (c) 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.

CMP361 Standard Workgroup Consultation questions				
1	Do you believe that the CMP361 Original Proposal better facilitates the Applicable Objectives?	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Yes, it better facilitates objectives: <input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> No, it has a negative effect on objectives: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E </td> </tr> </table> <p>Many elements of the BSUoS costs are not on a HH basis, as discussed by the first Balancing Services Task Force, so a HH charge does not represent a cost-reflective charge. This modification also removes a day/night distortion in the current BSUoS structure that is caused partly by the smaller charging base and so impacts some users more than others, when they are not the cause of some of the charge elements. Given the current BSUoS charge is not a forward-looking signal that users can respond to, as concluded by the second Balancing Services Task Force, it creates 'noise' in the electricity price and so hinders effective competition between users.</p>	<input checked="" type="checkbox"/> Yes, it better facilitates objectives: <input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E	<input type="checkbox"/> No, it has a negative effect on objectives: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
<input checked="" type="checkbox"/> Yes, it better facilitates objectives: <input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E	<input type="checkbox"/> No, it has a negative effect on objectives: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E			

2	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Click or tap here to enter text.
3	Do you have any other comments?	We agree that these modifications are linked to CMP308 but believe this modification could go ahead if CMP308 were to be delayed. The reverse is not true – without these modifications, CMP308 may have negative consequences.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		Click or tap here to enter text.

CMP362 Standard Workgroup Consultation questions						
5	Do you believe that the CMP362 Original Proposal better facilitates the Applicable Objectives?	<table border="1"> <tr> <td data-bbox="619 969 991 1294"> <input checked="" type="checkbox"/> Yes, it better facilitates objectives: <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> D </td> <td data-bbox="999 969 1463 1294"> <input type="checkbox"/> No, it has a negative effect on objectives: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D </td> </tr> <tr> <td colspan="2" data-bbox="619 1294 1463 1514">This modification is necessary to implement CMP361, which facilitates competition (ACO b) and brings in definitions and language meaning the CUSC is still readable and the charging structure is clear to users (ACO d)</td> </tr> </table>	<input checked="" type="checkbox"/> Yes, it better facilitates objectives: <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> D	<input type="checkbox"/> No, it has a negative effect on objectives: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D	This modification is necessary to implement CMP361, which facilitates competition (ACO b) and brings in definitions and language meaning the CUSC is still readable and the charging structure is clear to users (ACO d)	
<input checked="" type="checkbox"/> Yes, it better facilitates objectives: <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> D	<input type="checkbox"/> No, it has a negative effect on objectives: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D					
This modification is necessary to implement CMP361, which facilitates competition (ACO b) and brings in definitions and language meaning the CUSC is still readable and the charging structure is clear to users (ACO d)						
6	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Click or tap here to enter text.				
7	Do you have any other comments?	Click or tap here to enter text.				
8	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Click or tap here to enter text.				

CMP361 & CMP362 Modification Specific Workgroup Consultation questions

9	<p>The Original solution has 3 months' notice and 12 months fixed, what would your preferred combination of notice period and fixed period be? Please provide your justification.</p>	<input checked="" type="checkbox"/> 3-month notice period and 12-month fixed period <input type="checkbox"/> 9-month notice period and 6-month fixed period <input type="checkbox"/> 12-month notice period and 3-month fixed period <input type="checkbox"/> Other (please describe below)	
		<p>The fixed period needs to be long enough for suppliers that offer fixed prices going forward (such as 12 month fixed tariffs) to have 'reasonable' confidence in the tariff. This does not mean the entire tariff period needs to be covered as some workgroup members have implied. This modification should significantly reduce the risk that suppliers face, but it does not need to remove it entirely. Regular forecasting by the ESO should mitigate the remaining risk. Without CMP308, shorter notice periods would mean BSUoS risk premia would continue impact the wholesale market, as generators selling in a year-ahead market would need to forecast. However, if CMP308 is implemented, a shorter notice period is more acceptable.</p> <p>There is a risk that the choice of combination will encourage suppliers to change the length of tariffs that they offer to minimise their risk. The analysis by Frontier suggests that this most likely under 3N-12F (Figure 46), but as the capital is mostly still required by the ESO, this will be cheaper than the baseline. This option gives the lowest benefit to industry but only by £0.5m under the central scenario. If the ESO cost of capital is higher, this becomes the most beneficial option. We believe this represents the best balance of supplier and ESO risk.</p>	
10	<p>Do you support the use of an industry-funded BSUoS Fund to reduce the probability of re-setting tariffs?</p>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Other / Don't know	
		<p>Click or tap here to enter text.</p>	
11	<p>What would the appropriate balance be between the level of the BSUoS Fund requirement, and the probability of tariffs being reset within the fixed period due to under recovery (in the Original solution is this set at P99 – see table on pages 15-16)?</p>	<input type="checkbox"/> P99 <input checked="" type="checkbox"/> P95 <input type="checkbox"/> P90 <input type="checkbox"/> P77	<input type="checkbox"/> P75 <input type="checkbox"/> P65 <input type="checkbox"/> P50 <input type="checkbox"/> Other / Don't know
		<p>Whilst the industry's appetite for risk is important, any reduction in risk of reset would represent an improvement on the baseline, where the tariff is 'recalculated' every HH. Whilst P99 is safest, the rate of change of industry at the moment means 1 in 20 still feels relatively safe and does not require as much over-recovery as P99. However, it may be worth adjusting this in future should the maximum ESO fund change significantly, such as if a new Future System Operator is funding the BSUoS risk.</p>	

12	Do you agree with the proposed approach to recover half of the BSUoS Fund in the first financial year and the rest in the second financial year?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Other / Don't know This strikes a reasonable balance between building up the fund asap and not burdening suppliers with 'inflated' BSUoS costs.
13	Do you agree with the proposed data transparency approach set out in the Workgroup consultation?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Other / Don't know More frequent forecasting from the ESO is preferable, as it reduces the risk created by the shorter notice period, but the solution must be practical and not overly burdensome to the ESO.