

Workgroup Consultation Response Proforma

CMP381: Defer exceptionally high Winter 2021/22 BSUoS costs to 2022/2023

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 **29 December 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 Paul Mullen paul.i.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com

| Respondent details | Please enter your details |
|--------------------|-----------------------------|
| Respondent name: | Rachel Brown |
| Company name: | OVO Energy |
| Email address: | rachel.henson@ovoenergy.com |
| Phone number: | n/a |

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.*

**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).*

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

| Standard Workgroup Consultation questions | | |
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| 1 | Do you believe that the Original Proposal or any of the potential alternative solutions better facilitates the Applicable Objectives? | We agree with the proposer's assessment against the charging objectives |
| 2 | Do you support the proposed implementation approach? | Yes we agree with the short-term approach in these exceptional circumstances |
| 3 | Do you have any other comments? | N/A |
| 4 | Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider? | No |

| Specific Workgroup Consultation questions | | |
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| 5 | The CMP381 Original proposes to set a £10/MWh cap on BSUoS. Do you think it is appropriate to set a BSUoS cap and if so to what value? Please provide the rationale for your response including any supporting analysis. | We support a cap being implemented. We would support a cap of £10/MWh, as stated in the Original. This is still more than double the Default Tariff Cap allowance for this period, and therefore costs above this should be considered exceptional for suppliers to manage. |
| 6 | The CMP381 Original seeks to limit the additional BSUoS costs that would be deferred to £300m. | While we would support there being no limit to the deferral, due to the unhedgeable nature of BSUoS costs, we recognise that there may need to be a limit to mitigate risk for the ESO. If the limit is breached, then suppliers will need to fund the cash shortfall, which will come at a |

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| | Do you think it is appropriate to introduce a limit and if so to what value? Please provide the rationale for your response. | higher cost of capital than achievable by the ESO. Therefore, to minimise costs to the end consumer the limit should be set as high as possible. We therefore propose a £500m limit, but recognise that this may not be possible and so would accept the proposed £300m limit as this would still bring relief to suppliers during these exceptional circumstances. We acknowledge that the limit may not cover all costs above the cap allowance during Q1 2022. |
| 7 | The CMP381 Original seeks to defer the additional BSUoS costs above the cap to the 2022/23 charging year. Recovery of the deferred costs is proposed to commence from 1 April 2022. Do you agree with this approach? Please provide rationale for your response. | We agree. |
| 8 | What reporting frequency and end of CMP381 BSUoS Support Scheme notification would be of most use to you? Please provide justification for your response. | We support the reporting proposal set out by the ESO as it seems a sensible approach to staying informed. This proposal was: <ul style="list-style-type: none"> • Publish a weekly update on the costs which have been deferred to date; and • Should 80% of the total support limit be reached, then this will be updated each working day |
| 9 | CMP381 Original would apply to BSUoS prices with effect from 1 January 2022. Do you have any concerns with this approach? Please provide rationale for your response. | No |

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| 10 | <p>Does the CMP381 Original Proposal or any of the potential alternative solutions impact your business and/or end consumers. If so, how?</p> <p><i>Confidential Information can be shared with Ofgem directly particularly where it relates to Ofgem's Urgency Criteria.</i></p> | <p>Yes, the exceptional circumstances during Winter 2021-22 mean that deferral of exceptional BSUoS costs would be beneficial to our business.</p> |
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