nationalgridESO

Code Administrator 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 **10 January 2022**. 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.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
Respondent name:	Sally Cox
Company name:	Bryt Energy Ltd
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Phone number:	0121 726 7524

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 Code Administrator Consultation questions		
1	Do you believe that the CMP381 Original Proposal and/or WACM1, WACM2, WACM3, WACM4, WACM5 better facilitates the Applicable Objectives?	No We believe the Proposal damages the Applicable Objectives and has an adverse impact on the competitiveness and efficiency of the charging mechanisms.
2	Do you support the proposed implementation approach?	No
3	Do you have any other comments?	Urgent and rapid interventions into well-established industry processes, whilst well-intentioned, have unintended consequences and create distortions in the market (in direct opposition to objective (a)). The proposed cost deferral and recovery would benefit Suppliers with either a stable or declining customer base. Suppliers with a growing portfolio will be negatively impacted, as the recovery of "deferred" charges will be higher than those avoided in the capped period. Each Supplier's mix of contract types, business/domestic, fixed/pass-through, will also influence how they are impacted by this Proposal. This skewed impact cannot be seen as facilitating effective competition, since successful, growing businesses are penalised and therefore Objective (a) stated above is not met. Suppliers to business customers will have fixed supply contracts already in place for future start dates that do not reflect these higher costs in future periods. Under this Proposal, either

		Suppliers will incur higher costs and reduced margins on these contracts, or Customers will incur unexpected increased prices (dependent on change of law/code clauses within contract terms and Supplier decisions). The core problem that the Proposal seeks to address relates to the cashflow impact of potential higher BSUoS charges during Q1 2022. However, the Proposal goes further than address a purely cashflow timing issue by suggesting that charges are capped in Q1 and are then levied against future demand. There will be end-user customers who change supplier between Q1 2022 and the proposed recovery period, resulting in a cost recovery mismatch compared to the initial period. This effect will disadvantage suppliers with a growing customer base, especially where those Change of Supplier contracts have already been agreed on fixed prices. An alternative approach could seek to address purely the cashflow impacts, without distorting the application of charges and ultimate liability.