

CMP381

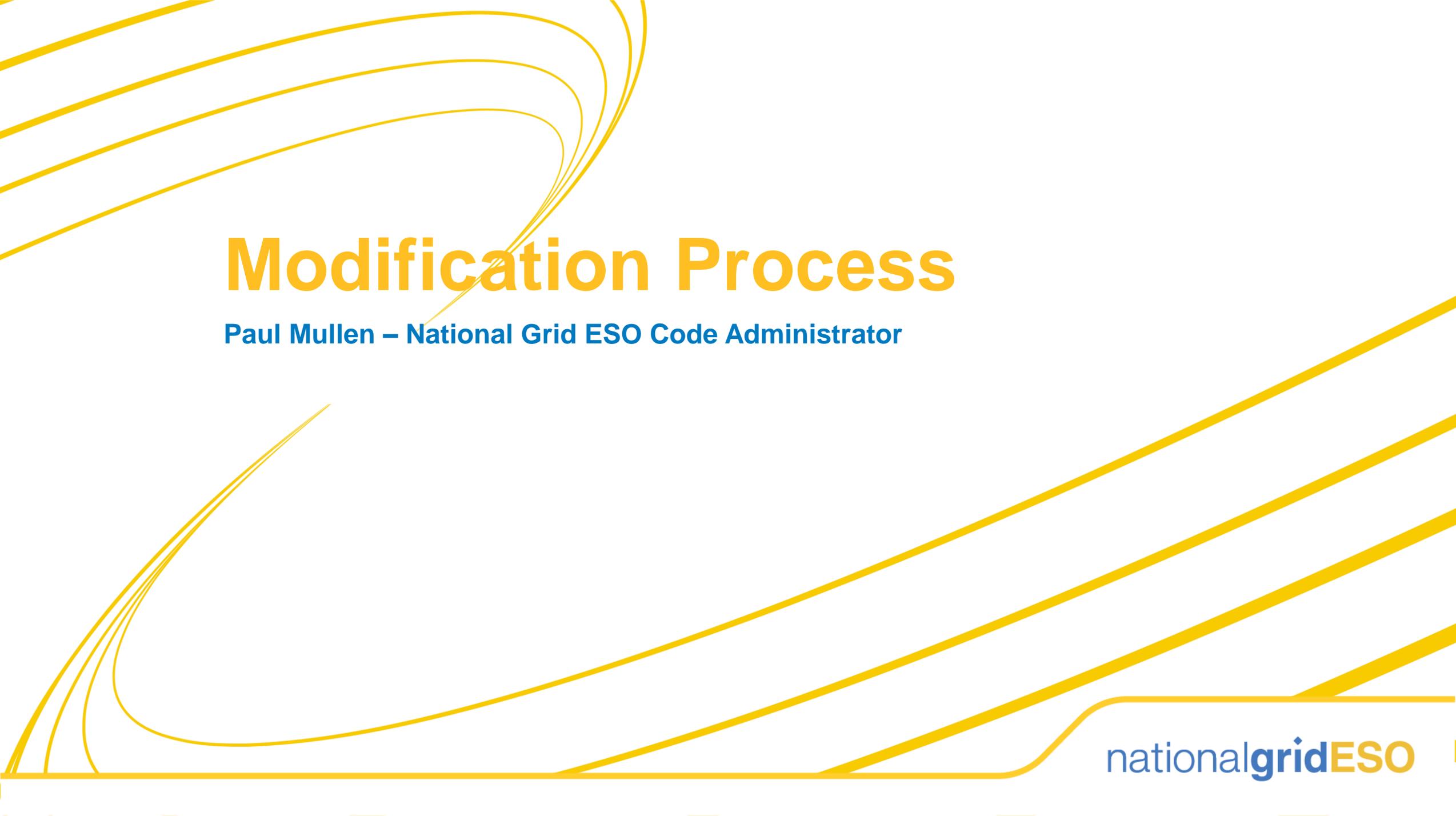
21 December 2021 – 9am to 2pm

Online Meeting via Teams

WELCOME



nationalgridESO

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Modification Process

Paul Mullen – National Grid ESO Code Administrator

Code Modification Process Overview



Talk to us

Raise a mod

Refine solution

Consult

Decision

Implement

Forums

Panels

Workgroups
(Workgroup Consultations)

Ofgem/Panel



Refine solution Workgroups



- If the proposed solution requires further input from industry in order to develop the solution, a Workgroup will be set up.
- The Workgroup will:
 - further refine the solution, in their discussions and by holding a **Workgroup Consultation**
 - Consider other solutions, and may raise **Alternative Modifications** to be considered alongside the Original Modification
 - Have a **Workgroup Vote** so views of the Workgroup members can be expressed in the Workgroup Report which is presented to Panel



Consult

Code Administrator Consultation

- The Code Administrator runs a consultation on the **final solution(s)**, to gather final views from industry before a decision is made on the modification.
- After this, the modification report is voted on by Panel who also give their views on the solution.





Decision



- Dependent on the Governance Route that was decided by Panel when the modification was raised
- **Standard Governance:** Ofgem makes the decision on whether or not the modification is implemented
- **Self-Governance:** Panel makes the decision on whether or not the modification is implemented
 - an appeals window is opened for 15 days following the Final Self Governance Modification Report being published



Implement

- The Code Administrator implements the final change which was decided by the Panel / Ofgem on the agreed date.



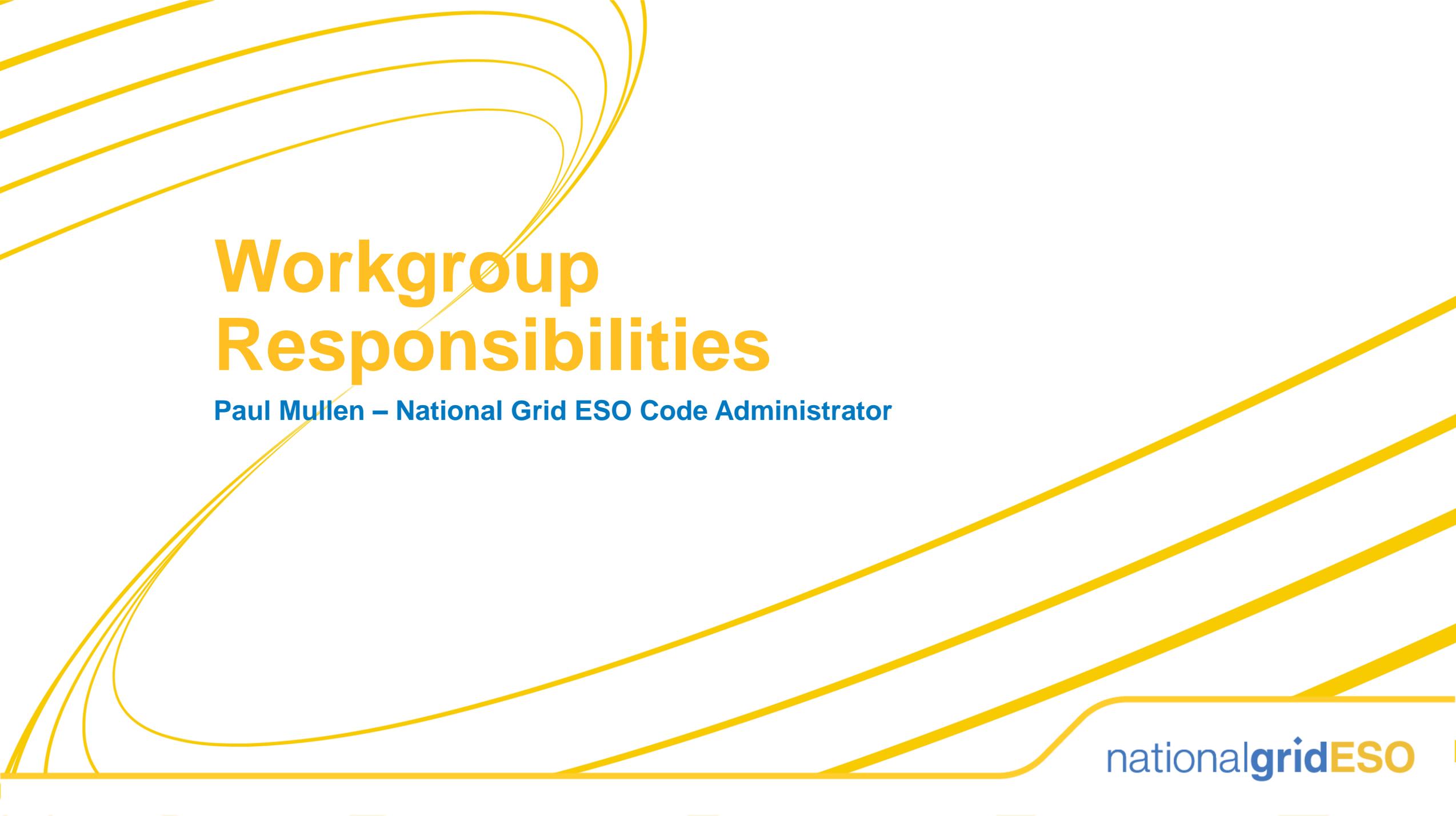
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Objectives and Timeline

Paul Mullen – National Grid ESO Code Administrator

Timeline for CMP381 at 17 December 2021

Milestone	Date	Milestone	Date
Modification presented to Panel	17 December 2021	Code Administrator Consultation (2 working days)	6 January 2022 (5pm) to 10 January 2022 (5pm)
Workgroup Nominations	17 December 2021 to 5pm on 20 December 2021	Draft Final Modification Report (DFMR) issued to Panel	11 January 2022 (5pm)
Ofgem grant Urgency	20 December 2021 (5pm)	Panel undertake DFMR recommendation vote	12 January 2022 (11am)
Workgroup 1 - Understanding process, responsibilities and change, identify possible alternatives, agree Workgroup Consultation questions	21 December 2021 (9am to 2pm)	Final Modification Report issued to Panel to check votes recorded correctly	12 January 2022 (1pm)
Workgroup Consultation (3 working days)	23 December 2021 (9am) to 29 December 2021 (5pm)	Final Modification Report issued to Ofgem	12 January 2022 (3pm)
Workgroup 2 - Assess Workgroup Consultation Responses and Workgroup Vote	31 December 2021 (9am to 2pm)	Ofgem decision	14 January 2022 (5pm)
Workgroup report issued to Panel	5 January 2022	Implementation Date	17 January 2022
Panel sign off that Workgroup Report has met its Terms of Reference	6 January 2022 (12pm)		

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Workgroup Responsibilities

Paul Mullen – National Grid ESO Code Administrator

Expectations of a Workgroup Member

Contribute to the discussion

Be respectful of each other's opinions

Language and Conduct to be consistent with the values of equality and diversity

Do not share commercially sensitive information

Be prepared - Review Papers and Reports ahead of meetings

Complete actions in a timely manner

Keep to agreed scope

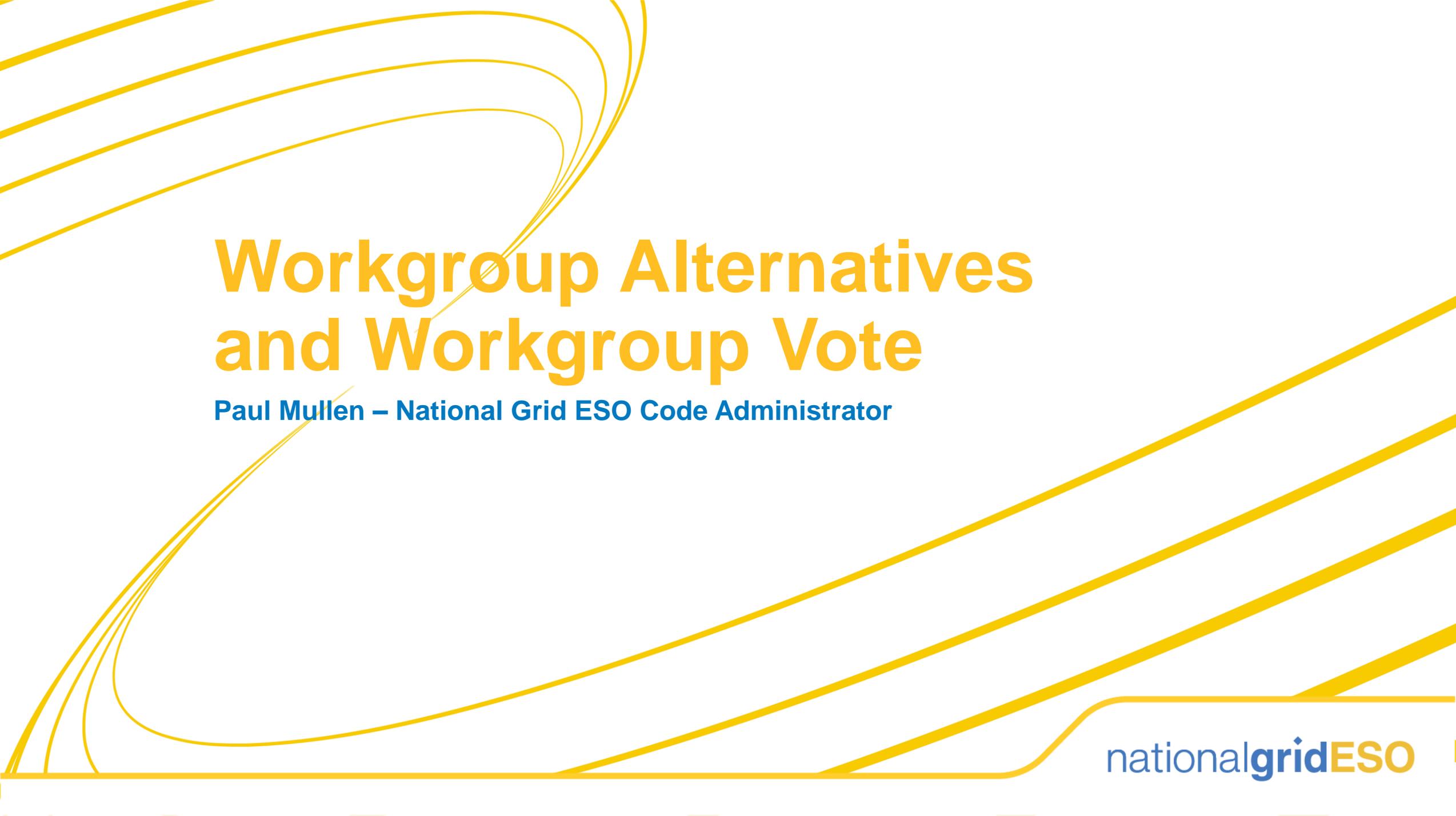
Your Roles

Help refine/develop the solution(s)

Bring forward alternatives as early as possible

Vote on whether or not to proceed with requests for Alternatives

Vote on whether the solution(s) better facilitate the Code Objectives

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Workgroup Alternatives and Workgroup Vote

Paul Mullen – National Grid ESO Code Administrator

Can I vote? and What is the Alternative Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings

Stage 1 – Alternative Vote

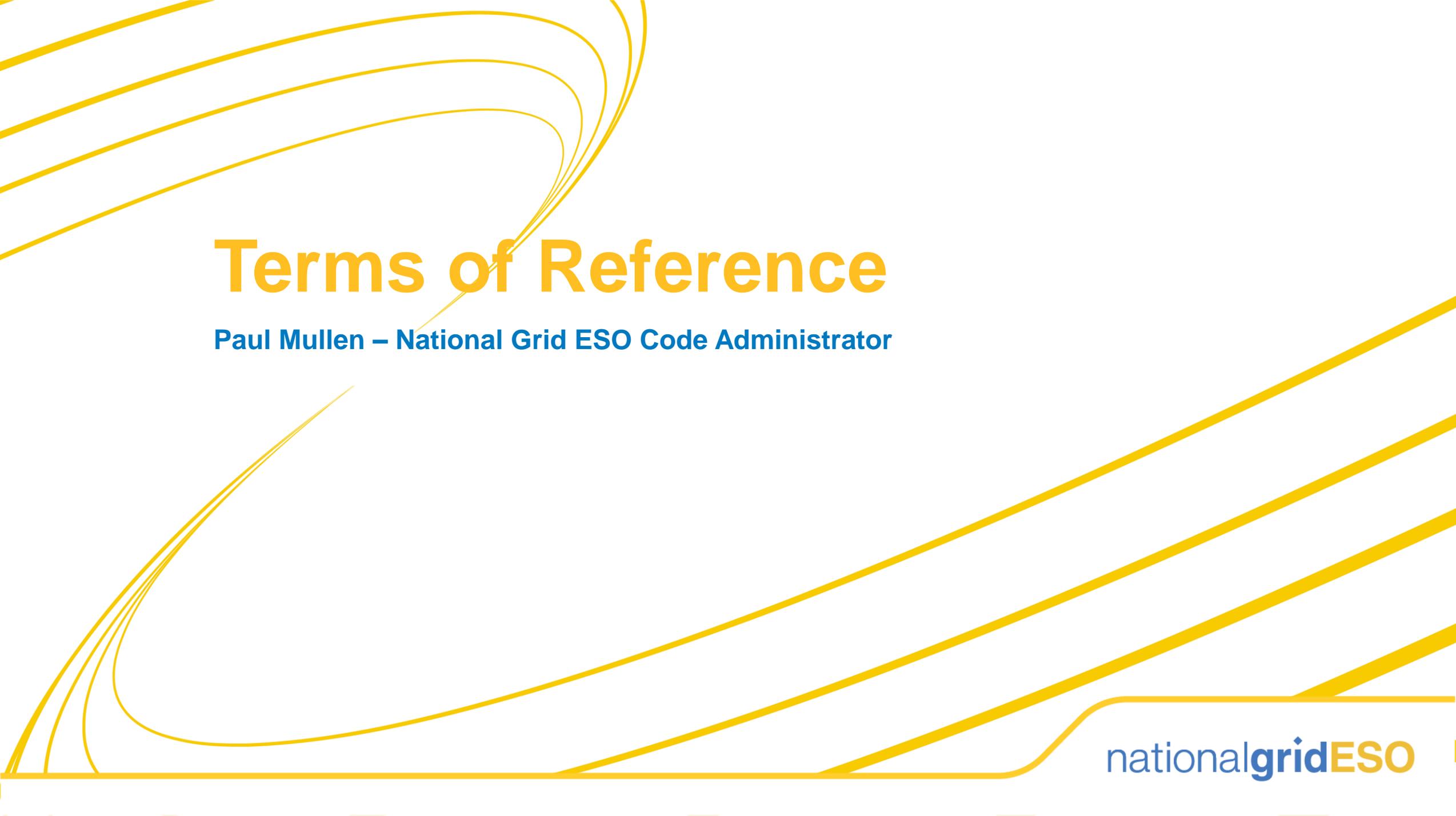
- Vote on whether Workgroup Alternative Requests should become Workgroup Alternative CUSC Modifications.
- The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.
- **Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the CUSC objectives than the Original then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative CUSC modification (WACM) and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.**

Can I vote? and What is the Workgroup Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings

Stage 2 – Workgroup Vote

- 2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC)
- 2b) Vote on which of the options is best.

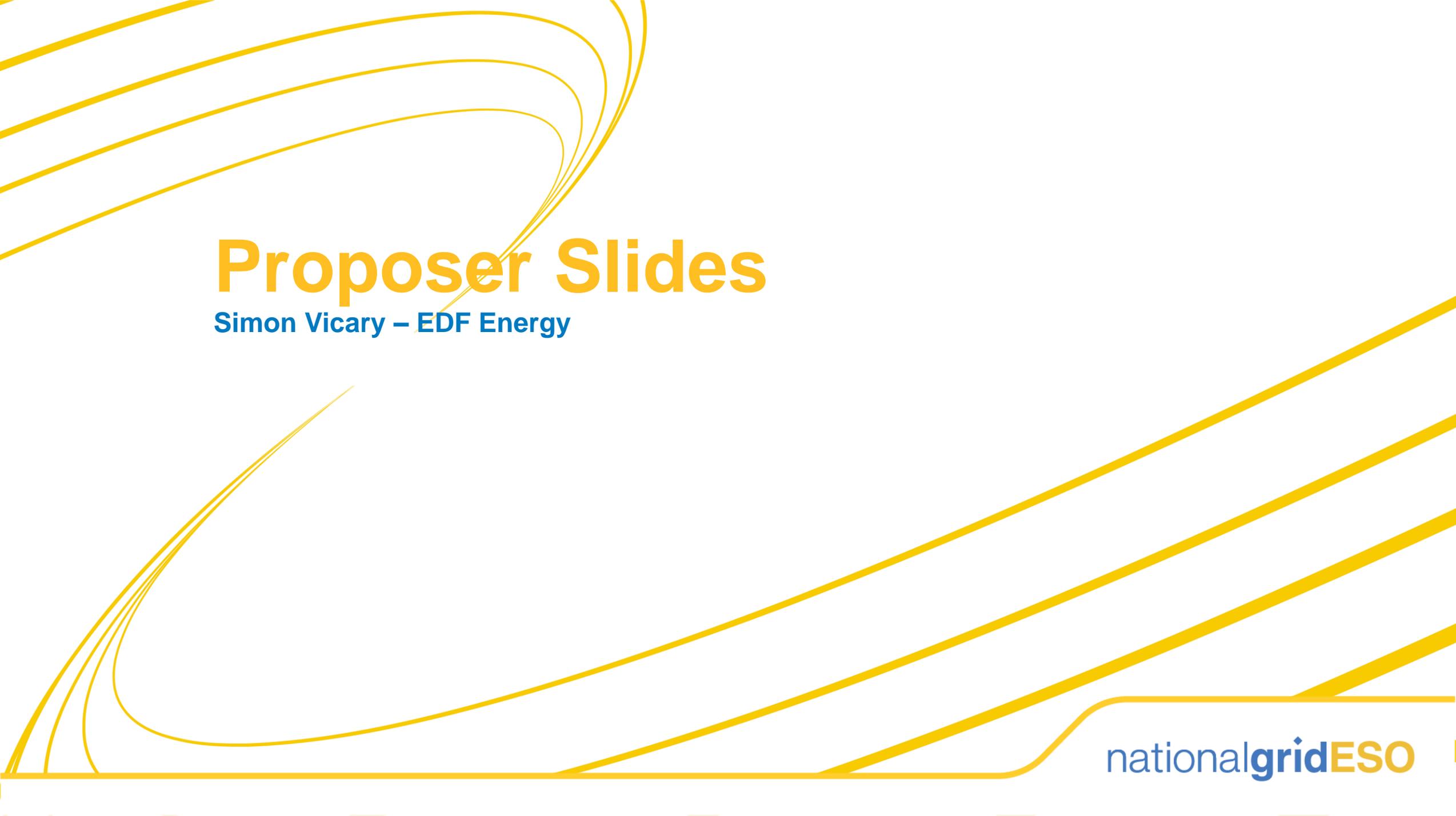
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Terms of Reference

Paul Mullen – National Grid ESO Code Administrator

CMP381 – Terms of Reference

- Consider whether or not a £10/MWh cap on BSUoS is appropriate or justify if another £/MWh cap is more appropriate
- Consider if the £10/MWh cap on BSUoS should be in place from 1 January 2022 to 31 March 2022 or a different time period
- Consider the impacts on Generators, Suppliers and Consumers of deferring the additional BSUoS costs above the cap to the 2022/23 Charging year
- Consider the limit on the total BSUoS costs that would be deferred
- Confirm there is no interaction with other in-flight Modifications
- Consider invoicing / billing timeline in the context of the Implementation Date

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Proposer Slides

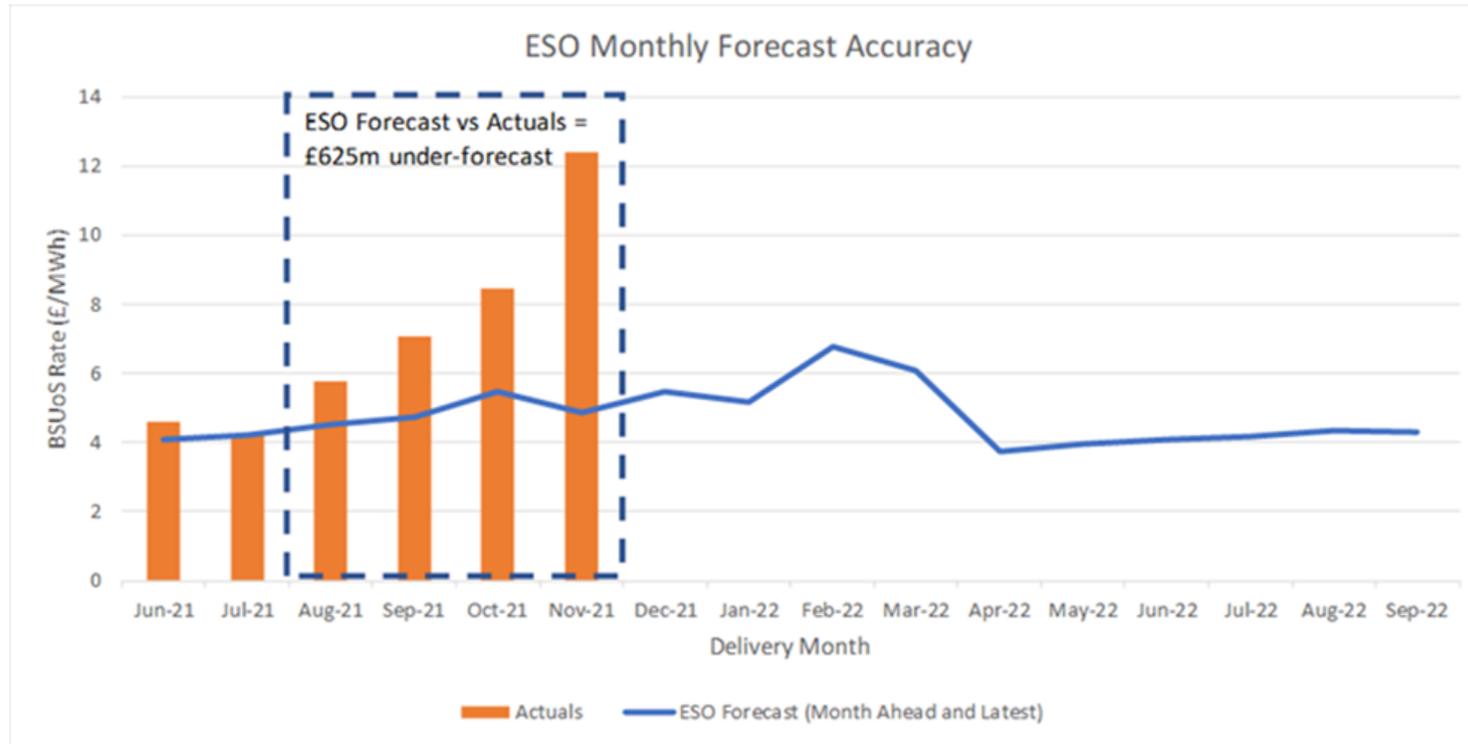
Simon Vicary – EDF Energy

Defect and Urgency

- BSUoS costs are significantly higher than the ESO forecasts so far this winter, as a result of exceptional market conditions, therefore much higher than consumers and industry parties could reasonably have expected or will have budgeted for.
- Our analysis suggests that the ESO BSUoS forecast will be inaccurate to a similar degree in Q1 2022. As a result both industry and consumers will not be prepared or able to tolerate the actual extreme prices that may outturn.
- It is absolutely critical to protect consumers, and prevent further insolvency contagion to suppliers and generators.
- We believe this proposal will have a positive impact on consumers as it spreads the recovery of a portion of the exceptional BSUoS costs over a longer period, providing time for consumers to budget for these exceptional costs at a time of already extreme power prices.

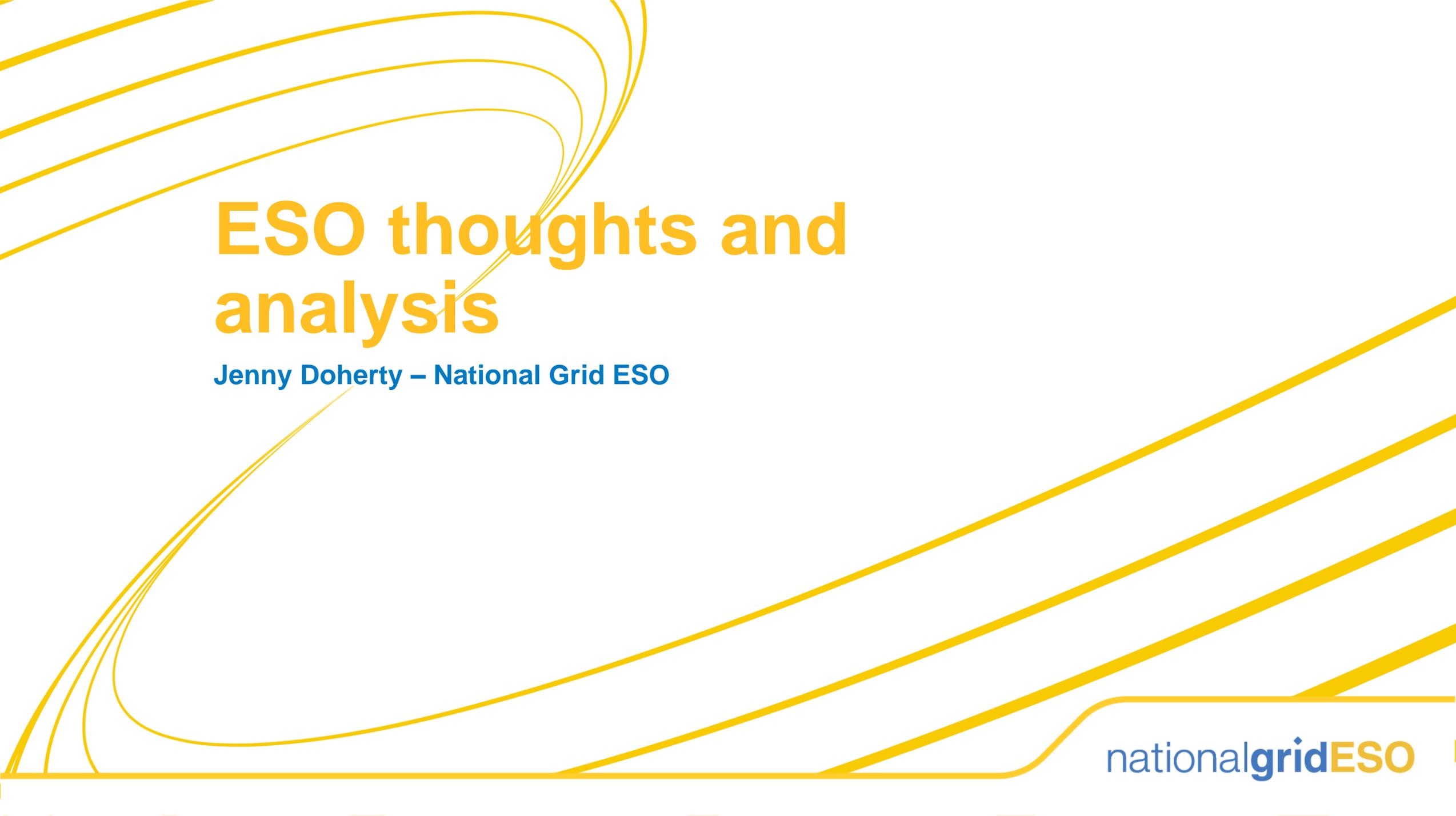
BSUoS variance to ESO forecast

The chart below shows the recent variance to the ESO BSUoS forecast, with the outturn being £625m higher across the last 4 months.



Proposed Solution

- To protect consumers, and prevent further insolvency contagion to suppliers and generators in Q1 2022:
 - a half-hourly £10/MWh cap should be put in place (as for CMP350)
 - additional BSUoS costs above the cap would be deferred to the 2022/23 charging year
 - the total costs which can be deferred are to be limited to £300m (which effectively means the impact of the inaccuracy of forecast is being shared across ESO and industry)
 - we are seeking implementation with effect from 1st January 2022
- This is consistent with the mechanism approved under CMP345 and CMP350 to protect against extreme BSUoS costs in 2020 due to COVID.
 - This means minimal, if any, system impact as the change can use the existing processes.
 - The legal text required is also established.

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ESO thoughts and analysis

Jenny Doherty – National Grid ESO

CMP381 – ESO overview

Overview of approach in CMP345 / 350

- Each settlement period between x and y date will be capped at £10/MWh. Anything above this, will be deferred until the following charging year.
- We will continue to issue invoices as normal, with credits issued for the difference once a month (shown in calendar in next slides)
- Costs for implementing the scheme are as agreed between the ESO and Ofgem
- Reporting:
 - The ESO will publish a weekly update on the costs which have been deferred to date
 - Should 80% of the total support limit be reached, then this will be updated each working day
- At least 2 business days' notice from the ESO as to when the CMP381 BSUoS Support Scheme is to end.
- Costs are recovered equally through FY22/23 (note discuss approach on next slide)

Questions for CMP381 implementation

1) How the costs are recovered in each day

a) Across the settlement day – proposal

- In this option, the costs recovered in each settlement day are the same
- The costs are volume weighted across the day through each settlement period i.e. when volume is highest in the day, the largest proportion of costs are paid
- This is how the majority of BSUoS charges work in BAU and is how the CMP373 is being recovered

b) Evenly across the settlement periods

- In this option, the costs recovered in each settlement period are fixed i.e. if the volumes to spread the costs over or high / low it does not change the amount to be recovered
- This is how the recovery of CMP345 / 350 is occurring

2) When / how recovery commences

This scheme is slightly different to CMP345/350 as the end date of the scheme, is the day before recovery commences. We will therefore not have all finalised data before recovery commences. The proposed option is:

- On 8th April we will publish the recovery costs per day, which will commence as of 1st April 2022. This will be made up of SF and II data
- On 28th April, we will publish an updated figure to recover per day following all SF data being available

Calendar of dates

Credit note calendar

Scheme Month	Last Day of Settlement Month	II Processing Date for last Settlement day of Month	SF Billing Date for Last Settlement day of Month	Credit Note Issue Date	Payment Date
Jan-2022	31/01/2022	08/02/2022	23/02/2022	04/03/2022	09/03/2022
Feb-2022	28/02/2022	08/03/2022	23/03/2022	01/04/2022	06/04/2022
Mar-2022	31/03/2022	08/04/2022	27/04/2022	06/05/2022	11/05/2022

Full calendar of invoicing dates can be found here:

<https://www.nationalgrideso.com/document/47391/download>

ESO available support

The proposal sets out £300m of support from the ESO. Whilst this is in line with the support noted in CMP361, that number is an indicative value and will depend on financing in future periods from FY23/24 onwards and not in the short-term.

We are open to providing support to industry, however currently the ESO has other financial commitments, which makes this level of support, at short notice, very challenging for a legally separate company with a RAV of £200m.

- This includes £100m of TNUoS funding - predominately the "k" factor demand under recovery from FY21, which the ESO will only recover in FY23.
- There are additional risks such as significant bad debt with the high number of suppliers that have ceased in FY22.

Understandably, there are internal governance processes needed in regard to providing support which are likely to conclude on Wednesday.

Analysis of how much would have been deferred in 2021 under different price caps

2021 BSUoS Charges by Month		Amounts that would have been deferred under different cap values (£/MWh)					
Month	Billed Total	£5 Cap	£10 Cap	£15 Cap	£20 Cap	£25 Cap	£50 Cap
January	£163,141,460	£35,082,873	£18,404,069	£11,293,598	£6,886,862	£3,749,629	£0
February	£186,228,341	£52,048,918	£12,723,937	£1,839,322	£256,802	£18,878	£0
March	£196,888,051	£55,981,161	£20,099,520	£8,873,992	£5,157,980	£2,538,547	£0
April	£155,614,544	£23,540,569	£11,461,548	£8,530,180	£5,950,753	£3,815,762	£0
May	£177,780,449	£26,485,069	£3,621,659	£115,300	£0	£0	£0
June	£161,772,879	£18,219,921	£1,953,893	£33,678	£0	£0	£0
July	£156,731,953	£12,907,044	£942,707	£0	£0	£0	
August	£213,257,976	£51,837,998	£14,714,037	£5,016,987	£1,251,172	£227,277	£0
September	£264,544,266	£126,411,853	£89,125,348	£70,273,103	£57,111,226	£46,275,422	£10,901,012
October	£352,043,857	£163,844,809	£70,917,604	£32,957,154	£15,031,674	£5,357,959	£0
November	£571,767,208	£366,001,819	£245,754,573	£177,040,515	£135,623,471	£109,982,798	£47,735,643
December (up to 8th)	£122,066,280	£62,256,630	£32,173,442	£20,247,243	£16,118,340	£14,306,166	£6,621,572
Total Calendar YTD	£2,721,837,263	£994,618,663	£521,892,336	£336,221,072	£243,388,280	£186,272,438	£65,258,227

Analysis on different price caps

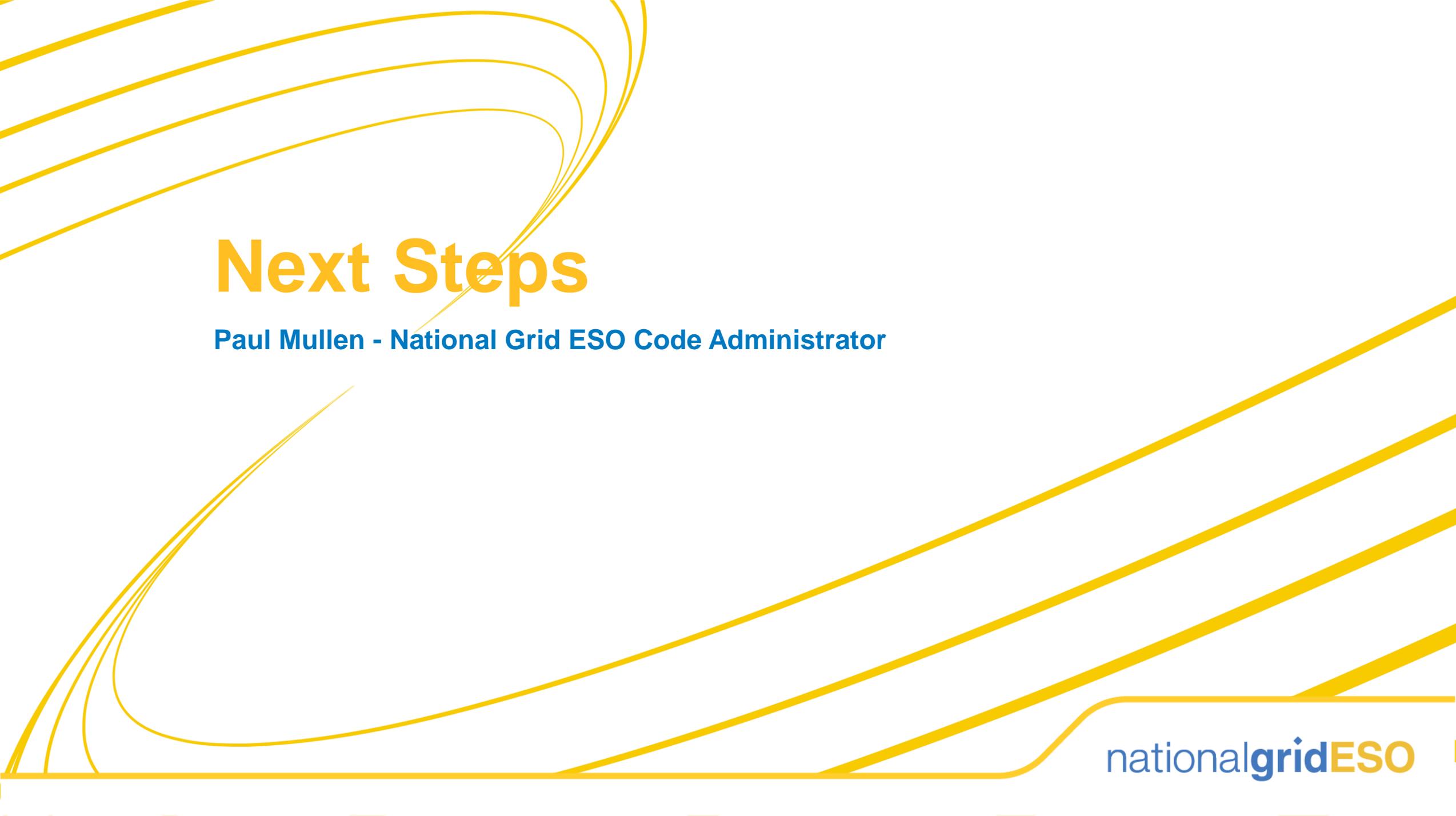
*SF Data up to 27th November, II data up to 13th December

**Excluding Autumn 2021

	£10/MWh cap	£15/MWh cap	£20/MWh cap	£25/MWh cap
Sep-21	11.9%	7.4%	5.2%	4.6%
Oct-21	29.7%	14.8%	7.9%	3.5%
Nov-21*	39.9%	24.0%	14.4%	9.6%
Autumn 2021	27.2%	15.4%	9.2%	5.9%
2021	12.2%	5.6%	3.0%	1.9%
2017-2021**	5.1%	1.4%	0.4%	0.2%

- Table on the left indicates % of Settlement Periods affected by different price caps
- Prior to September 2021, a price cap of £10/MWh would typically have affected between 5-10% of Settlement Periods
- This indicates that such SPs are not unforeseen, as based on the historical average more than one SP reaches £10/MWh per day
- In Autumn 2021 a £10/MWh cap would have affected around 26% of SPs
- Where previously a £10/MWh was used for COVID, that affected around 7% of SPs in that period
- To affect an equivalent amount of SPs in Autumn 2021, a cap in the range of £20-£25/MWh would have been needed

- Since April 2017, only 78 SPs have had a BSUoS cost above £50/MWh - all of these have occurred since September 2021
- If a £50/MWh cap had been put in place from 1st Sep – 8th Dec 2021, £65.3m of BSUoS costs would have been deferred over those 78 SPs

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Next Steps

Paul Mullen - National Grid ESO Code Administrator