

**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](mailto: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](mailto:paul.j.mullen@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com)

Respondent details	Please enter your details
<b>Respondent name:</b>	Lauren Jauss
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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.*

*\*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?	We believe that the Original, WACM1, WACM2, and WACM3 all better facilitate Charging Objective a), and that the Original is the best option.
2	Do you support the proposed implementation approach?	<p>Yes.</p> <p>We believe electricity wholesale market prices which are passed through to the consumer are largely determined through hedging with forward contracts, and that prompt market prices play only a very small part. In addition, given that it has already been acknowledged that BSUoS is very hard to forecast, does not currently provide any useful forward-looking signal, and is published almost two weeks after delivery, it is particularly difficult to predict which specific half hours would be impacted by a cap, even at £10/MWh, and hence we believe any of the proposed caps would have a minimal if any impact on prompt wholesale market prices.</p>
3	Do you have any other comments?	We recognise that the deferral of BSUoS costs under this proposal will mitigate unforeseen BSUoS costs for Generators' and Suppliers' Q1 2022 income. However, we do not believe this will result in the double counting of costs passed through to the consumer for the reasons outlined in our response to Q2. In fact, where Generators and Suppliers have already hedged their positions for Financial Year 2022, they will still incur these deferred charges as unforeseen

	<p>costs but realise these losses in FY2022 instead. Therefore the deferred costs will only be passed through to the consumer to the extent that market participants are unhedged for FY2022. Meanwhile, this proposal would increase the cash reserves available during the charging year for all Parties liable for BSUoS to the full amount of their deferred charges.</p> <p>We support the Original proposal of a £10/MWh cap because we believe this will still have a minimal impact on prompt wholesale market prices because it would be set at a level above which we consider nearly all charges would be unforeseen by market participants for any specific settlement period. At the same time, we consider that if the funds are available, and BSUoS costs are very high, that it is better to be relatively confident that at least most of the funds will be utilised. If the cap is set too high, this might increase the uncertainty in the amount of BSUoS costs which would be deferred, and a risk premium in BSUoS costs for FY2022 might be passed through to the consumer.</p>
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