

Code Administrator 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 7 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 Jennifer Groome Jennifer.groome@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
Respondent name:	Jason Harkay
Company name:	Utilita Energy Limited
Email address:	jasonharkay@utilita.co.uk
Phone number:	Click or tap here to enter text.

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.

CMP361

For reference the Applicable CUSC (charging) Objectives are:

- 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;*
- 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);*
- 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 in the right-hand side of the table below, including your rationale.

Standard CMP361 Code Administrator Consultation questions		
1	Do you believe that the CMP361 Original Proposal or WACM1, WACM2, WACM3, WACM4, WACM5, WACM6 or WACM7 better facilitates the Applicable Objectives?	<p>Given the volatile nature of the current BSUoS methodology, all options are an improvement over the baseline with WACM2 (9-month notice, 6-month fixed) being the preferred option.</p> <p>A 9-month notice period provides a good balance between the accuracy that the 3-month notice period provides and the fixed contract benefits that the 12-month notice period affords.</p> <p>WACM2's P99 BSUoS fund covers the most risk and decrease the chances of a mid-period price change, therefore providing the greatest long-term consumer benefits. Recent industry events have shown the importance of preparing for the worst-case scenario.</p> <p>The 2-year BSUoS Fund recovery period will reduce impact to consumers in the first year, whilst the fund is being created. A fund recovery period longer than this not being advisable due to the increased potential of a mid-period price change.</p> <p>By allowing the ESO to manage cashflow risk on behalf of the industry at a lower cost of capital than suppliers can achieve, removing volatility in Supplier pricing. Allowing for efficiencies in consumer offerings and consequently improving competition. (ACO a)</p> <p>Reforming BSUoS with an ex-ante fixed price unlocks process efficiencies for BSUoS payers through the administration of the charging methodology. (ACO e)</p>
2	Do you support the proposed implementation approach?	This modification should be implemented prior to or in line with CMP308 (should it be approved). As under the current lagged methodology, the impact of a new and much higher demand only BSUoS charge from CMP308 would not be fully included in the domestic price cap initially post implementation.

		Creating the risk to suppliers of being unable to adequately fund the increased BSUoS costs.
3	Do you have any other comments?	In principle, a BSUoS Fund is a reasonable request to ensure P99 can be met to reduce the risk of a tariff re-set within a fixed period. However, the ESO should seek to increase its Working Capital Fund in the future, or the BSUoS Fund approach should be reviewed with the proposed introduction of an Independent System Operator. As by making use of a lower cost of capital in the management of the BSUoS cash flow, a lower cost to consumers can be delivered.

Standard CMP362 Code Administrator Consultation questions		
1	Do you believe that the CMP361 Original Proposal or WACM1, WACM2, WACM3, WACM4, WACM5 or WACM6 better facilitates the Applicable Objectives?	Yes, as it is necessary to facilitate CMP361 with preference to WACM2, corresponding with CMP361 change. This modification improves efficiency by ensuring all required definitions for BSUoS reform are accurate and in CUSC Section 11. (ACO d)
2	Do you support the proposed implementation approach?	This modification should align with the implementation of CMP361.
3	Do you have any other comments?	No