

CUSC Alternative Form

CMP361 WACM4: Fixed price BSUoS charges based on a 12- month notice period and 3-month fixed period with no BSUoS Fund

Overview: This alternative is as per the Original Proposal with the following exceptions:

- There will be no BSUoS Fund
- An increased notice period – 12 months' notice and 3 months fixed

Proposer: George Moran, Centrica

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What is the proposed alternative solution?

As with the CMP361 Original Proposal, this alternative solution also seeks to introduce an ex ante fixed volumetric BSUoS tariff set over a total fixed and notice period of 15 months. This will deliver the recommendations of the Second BSUoS Task Force.

What is the difference between this and the Original Proposal?

As per original, but with no BSUoS Fund and an increased notice period – 12 months' notice and a 3 months fixed tariff.

What is the impact of this change?

Proposer's Assessment against CUSC Charging Objectives

Relevant Objective	Identified impact
(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;	<p>Positive:</p> <p>BSUoS is increasingly volatile and difficult to forecast. The current ex-post charging approach creates significant risk which suppliers cannot hedge against. To the extent that the proposal improves the predictability of the BSUoS charges that suppliers need to factor into contract offerings, we believe it will improve competition between suppliers.</p> <p>Notice Period: We believe that the more advance notice that is provided of a fixed charge, the more contracts will be able to benefit from the reduction in risk. Options which provide more notice, even with a shorter fixed period, will therefore increase the benefit of the change and spread it more fairly across the market (and customers).</p> <p>BSUoS Fund: We believe the BSUoS Fund concept in the Original acts to reduce the benefit of the change. The BSUoS fund was not recommended by the Task Force or Ofgem and would represent a shock to industry. The mechanism would require suppliers to be able to forecast changes in the ESOs working capital arrangements and risk modelling to be able to forecast future BSUoS rates, neither of which we believe Suppliers will be well placed to do. The fund itself will therefore add back some of the risk</p>

	premium that the change seeks to reduce. Therefore, this alternative does not include a BSUoS Fund.
(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);	Positive: BSUoS is currently a cost recovery charge, providing no useful cost reflective forward-looking signal. It can encourage responses that are inefficient and increase system costs e.g. reducing demand to avoid high BSUoS costs caused by excess Generation in a zone. CMP361 will remove/reduce these distortive signals, making it more cost reflective than the baseline.
(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;	None
(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	None
(e) Promoting efficiency in the implementation and administration of the system charging methodology.	Positive: Moving to an ex-ante approach for BSUoS should simplify the use of system charging methodology (particularly without the inclusion of a BSUoS Fund).
*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).	

When will this change take place?

Implementation date:

April 2023 or sooner

Implementation approach:

As per the original

Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
BSUoS	Balancing Services Use of System
BSUoS Fund	The Original proposal is to place a cap on the ESO's total support via its working capital facility (WCF) and form an industry funded BSUoS Fund to ensure an agreed probability of tariffs being reset is covered. This would be collected as part of the BSUoS tariff.
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
LCCC	Low Carbon Contracts Company
SCR	Significant Code Review
CVA	Central Volume Allocation
DNO	Distribution Network Operator
DUoS	Distribution Network Use of System
EBR	Electricity Balancing Regulation
ESO	Electricity System Operator
Ex ante	"before the event" (Latin)
LCCC	Low Carbon Contracts Company
RCRC	Residual Cashflow Reallocation Cashflow
RIIO2	Price Control Period
SCR	Significant Code Review
SQSS	Security and Quality of Supply Standards
STC	System Operator Transmission Owner Code
SVA	Supplier Volume Allocation
T&Cs	Terms and Conditions
TCR	Targeted Charging Review
TNUoS	Transmission Network Use of System
WCF	Working Capital Facility

Reference material:

None.