

CUSC Alternative Form

CMP395 WACM3: Cap BSUoS costs and Defer payment to 2023/24 to protect GB customers

Overview: This alternative proposal seeks to modify specific aspects of the Original solution as follows;

- Revise the £/MWh cap to £40/MWh

Proposer: Claire Huxley & Karen Thompson-Lilley, National Grid ESO

Contents

- **What is the proposed alternative solution?**
 - Difference between this and the Original Proposal
- **What is the impact of this change?**
- **When will the change take place?**
- **Acronyms, key terms and reference material**

What is the proposed alternative solution?

- Set a £40/MWh cap on the BSUoS Price of each half hour Settlement Period
 - This would apply from the next Business Day after The Authority's decision until 31st March 2023
- Cap the additional BSUoS costs that would be deferred to £250m. In effect, the scheme would end immediately if the £250m limit were reached.
- Defer the additional BSUoS costs above the £40/MWh cap to the 2023/24 Financial Year up the total cap of £250m, using a similar mechanism as approved under CMP345¹, CMP350² and CMP381 to calculate the amount to be deferred.
- These costs would be recovered in Financial Year 2023/24, using the following;
 - For Generators, a similar mechanism to the one implemented under CMP381 i.e. equal recovery each settlement day, which is volume weighted throughout the day
 - For Suppliers, this will be recovered as a fixed £/MWh charge across the Financial year to align with the BSUoS tariff structure that will be implemented by CMP308 from April 2023.
- The ESO will provide daily updates on how much of the £250m has been used. This is consistent with the approach taken under CMP381.
- The scheme will end in the settlement period immediately prior to the one in which the overall limit has been reached.

What is the difference between this and the Original Proposal?

The difference between this and the Original Proposal are a greater cap, set at £40/MWh rather than £15/MWh. This solution aims to minimise the impact of the spiky peaks/exceptional events of BSUoS costs over the whole 6-month period. We believe this is the best use of the available fund the ESO can finance and ensures this fund can be utilised as long as possible over the proposed period giving some protection from those potential high BSUoS prices.

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 there with) facilitates competition in the sale, distribution and purchase of electricity;	Positive: This proposed approach would provide support to industry to limit the impact of the most extreme BSUoS prices.
(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	Positive: A £40/MWh cap means that BSUoS costs which are extremely high for the current market are limited.

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;	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.	Negative: Adding in an extra process to defer costs from one financial year to another inherently makes the system charging methodology more complex. This same rationale applies to the Original and any other potential alternatives.
*The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.	

When will this change take place?

Implementation date:

As per the Original solution

Implementation approach:

As per the Original solution

Acronyms, key terms and reference material

Acronym / key term	Meaning
BSUoS	Balancing Services Use of System charges
ESO	Electricity System Operator

Reference material:

None