

CUSC Panel

21 September 2022

Online Meeting via Teams

WELCOME

nationalgridESO

Draft Final Modification Report

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

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Solutions

CMP395 Original:

- Set a £15/MWh cap on BSUoS from 1 October 2022 until 31 March 2023
- Defer the BSUoS costs incurred above the cap to the 2023/2024 charging year
- Recover the additional BSUoS costs above the cap from 1 April 2023 and by no later than 31 March 2024 from Suppliers and 31 December 2023 from Generators (based on forecast if actuals are not available)
- For Suppliers, recover an identical amount per day that is allocated to Settlement Periods on a chargeable volume weighted basis or in line with CMP361/CMP362 if implemented by 1 April 2023.
- Limit the liability on the ESO to £250m. There will be daily reporting of the percentage utilisation of the deferred amount.
- CMP395 BSUoS Support Scheme will fall away on the earlier of 31 March 2023 or when the £250m limit has been reached

Implementation date: From the first Settlement Period (00:00 – 00:30) on 1 October 2022 if approved on 28 September 2022 (or such later date as the Authority may specify).

Solutions

CMP395 Alternative Solutions:

Other Solutions	BSUoS Price Cap	Reassessment of BSUoS Price Cap?	Applies to Generators and Suppliers or Suppliers only?
<i>CMP395 Original</i>	£15/MWh	No	<i>Generators and Suppliers</i>
<i>CMP395 WACM1</i>	£25/MWh	No	<i>Generators and Suppliers</i>
<i>CMP395 WACM2</i>	£30/MWh	No	<i>Generators and Suppliers</i>
<i>CMP395 WACM3</i>	£40/MWh	No	<i>Generators and Suppliers</i>
<i>CMP395 WACM4</i>	£25/MWh	Yes – by ESO	<i>Generators and Suppliers</i>
<i>CMP395 WACM5</i>	£15/MWh	Yes – by Ofgem	<i>Generators and Suppliers</i>

Implementation date: as per Original for all Alternative Solutions

Code Administrator Consultation Responses

Summary of Code Administrator Consultation Responses :

- Code Administrator Consultation was run from 13 September 2022 to 5pm on 16 September 2022 and received 14 non-confidential responses. Key points were:
 - 13 out of 14 respondents were supportive of some or all of the solutions proposed with many articulating the benefit of reduced risk premia in the market leading to decreased costs for end consumers and providing market stability. Respondents' preferred options depended on where they viewed the right balance between setting the BSUoS cap and maximising the £250m fund.
 - The respondent, who was not supportive of any of the options proposed, argued there remains insufficient evidence that this is in consumers interests overall. This respondent added that they are not convinced Suppliers need this additional support nor that Generators would necessarily reduce risk premia or, without this change, go out of business.
 - Some respondents urged that any decision on CMP395 takes into account other industry developments – namely the support provided by the Energy Price Guarantee and/or the proposed BSUoS adjustments to be factored into Contracts for Difference Contracts. One respondent also stated that a decision on CMP361 is urgently required as Suppliers, and their customers, need a reliable forecast of fixed BSUoS costs.
 - No legal text issues identified.

CMP395 Next Steps

Milestone	Date
Draft Final Modification Report presented to Panel	21 September 2022 (9am to 10am)
Final Modification Report issued to Panel to check votes recorded correctly (5 working days)	21 September 2022 (2pm to 4pm)
Submission of Final Modification Report to Ofgem	21 September 2022 (4pm)
Ofgem decision date	By 28 September 2022 (5pm)
Implementation Date	From the first Settlement Period (00:00 – 00:30) on 1 October 2022 if approved on 28 September 2022 (or such later date as the Authority may specify).

CMP395 - the asks of Panel

- **NOTE** that this Modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC?
- **VOTE** whether or not to recommend implementation
 - *Do the CMP395 Original proposal and WACMs 1 – 5 inclusive better facilitate the objectives than the current CUSC arrangements?*
- **NOTE** next steps

EBR Article 3 Objectives

For reference, the Electricity Balancing Regulation (EBR) Article 3 (Objectives and regulatory aspects) are:

1. This Regulation aims at:

- (a) Fostering effective competition, non-discrimination and transparency in balancing markets;
- (b) enhancing efficiency of balancing as well as efficiency of national balancing markets;
- (c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;
- (d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;
- (e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;
- (f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;
- (g) facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.

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