

CUSC Alternative and Workgroup Vote

CMP398: GC0156 Cost Recovery mechanism for CUSC Parties

Please note: To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

Stage 1 - Alternative Vote

If Workgroup Alternative Requests have been made, vote on whether they should become Workgroup Alternative CUSC Modifications (WACMs).

Stage 2 - Workgroup Vote

- 2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).
- 2b) Vote on which of the options is best.

Terms used in this document

Term	Meaning
Baseline	The current CUSC (if voting for the Baseline, you believe no modification should be made)
Original	The solution which was firstly proposed by the Proposer of the modification
WACM	Workgroup Alternative CUSC Modification (an Alternative Solution which has been developed by the Workgroup)

The applicable CUSC 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.

*The Electricity Regulation referred to in objective (c) 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.

Workgroup Vote

Stage 1 – Alternative Vote

Vote on Workgroup Alternative Requests to become Workgroup Alternative CUSC Modifications.

The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.

Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the CUSC objectives than the Original proposal then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative CUSC modification (WACM) and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.

“Y” = Yes

“N” = No

“-“ = Neutral (Stage 2 only)

“Abstain”

Workgroup Member	Alternative 1 (ESO)	Alternative 2 (Cornwall Insight)
Garth Graham	Y	Y
Paul Mott	Y	Y
Paul Youngman	Y	Y
Priyanka Mohapatra	Y	Y
Robert Longden	Y	Y
Sean Gauton/Paul Jones	Y	Y
	WACM1	WACM2

Stage 2a – Assessment against objectives

To assess the original and WACMs against the CUSC objectives compared to the baseline (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

ACO = Applicable CUSC Objective

ESO

	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Garth Graham – SSE					
Original	Y	Y	Neutral	Y	n/a	Y
WACM 1	Y	Y	Neutral	Y	n/a	Y
WACM 2	Y	Y	Neutral	Y	n/a	Y

Voting Statement:

In respect of the Original, as the Proposer, the views against the Applicable CUSC Objectives are as set out in the proposal form itself which, for the sake of brevity, I avoid repeating here.

This is similar in respect to both WACM1 and WACM2 as all three options are, when compared to the Baseline, better in terms of Applicable CUSC Objectives (a), (b) and (d) whilst being neutral in terms of (c).

However, when compared with the Original, neither WACM1 or WACM2 are better than that (Original) option.

WACM1 will introduce a process for claim validation that will entail an undue role for the ESO which is not one, for example, that applies with similar externally validated claims (such as from the TOs with respect to the MAR) which, rightly, the ESO is content to accept in good faith. The Workgroup deliberations with respect to WACM1 concerning the confidentiality of the information to be submitted by the claimant along with the inherent 'conflict of interest' that arises from the ESO performing the validation means that whilst better than Baseline this option is not better when compared with the Original.

WACM2 is modelled predominately on the Original and as such is better than WACM1. The application (or not) of the proposal to new parties who sign a Bilateral Agreement after an Authority decision to approve CMP398 (if that is, as hoped, the outcome) is an important point of principle for the Authority to consider. The inclusion of WACM2 alongside the Original affords the Authority this opportunity.

	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Paul Mott – ESO					
Original	Neutral	Negative	Neutral	Negative	N/A	Negative

ESO

WACM 1	Neutral	Negative	Neutral	Negative	N/A	Negative
WACM 2	Neutral	Negative	Neutral	Negative	N/A	Negative

Voting Statement:

We consider this change, both as the Original, WACM2 and as WACM1, to be neutral regarding Applicable Objective (a), efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence, given that the obligations to be introduced within the Grid Code through the implementation of GC0156 will come into force regardless of the changes within the CMP398 Original Proposal being implemented or not.

Regarding Applicable Objective (b), we consider that in some respects the Original proposal and both WACMs may be marginally beneficial in terms of facilitating effective competition in generation. This is because those generators which tender successfully to be providers of system restoration services or the related category of anchor service providers, will have priced into their tendered price, the costs of the equipment they added at their site to enable provision of system restoration services or anchor provider services. There is a potential issue of discrimination between the two baskets of generators.

On the other hand, another effect in competition for balancing services contracts is that the new equipment such as new high specification diesels and/or larger fuel tanks fitted by non-restoration CUSC party generators to comply with GC0156, and funded under CMP398 if approved (together with funding for its annual maintenance under the Opex claim heading), could then be used for other commercial purposes – various forms of balancing services provision, perhaps even securing a restoration contract. These generators with CMP398-funded improvements could then compete with demand side, storage, and other non-CMP398-funded-generator solutions, and could have an unfair advantage via the CMP398 funding in being able to claim for the provision and maintenance of relevant capabilities, whereas other technologies in these markets will not benefit from a comparable source of funding.

There may also be a risk of discrimination with an adverse effect on competition if the modification is approved, in that some generators have already invested in resilience and are already compliant with GC0156 due to prudent past expenditure; they would not be reimbursed under CMP398 for this past expenditure whereas their peers, who haven't, would be reimbursed for new investment needed to comply.

Overall, taking account of the effects described above, we believe that the CMP398 Original Proposal and WACM1 are negative in relation to Applicable Objective (b).

Regarding Applicable Objective (c), compliance with the Electricity Regulation, we agree with the Proposer that CMP398 is neutral, and this applies also to both WACMs

We consider the Original Proposal, and both WACMs, will both be negative in relation to Applicable Objective (d), and less effectively facilitates this objective than the current baseline. This is because we believe that the cost of compliance with new regulations should be met by industry, and not consumers and the changes proposed by this

ESO

modification would impose additional and unnecessary administrative burden on the ESO, in administering the CUSC, which will also result in costs falling on consumers that we consider should be met by generators

WACM2 leads to a concern that generators might feel incentivised to do some design work now so that they can later submit a CMP398 claim after the passing of GC0156.

Note : We raised WACM1 as being better than the Original proposal, but as explained at the time, do not consider that it is better than baseline.

	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Paul Youngman – Drax					
Original	Positive	Positive	Neutral	Neutral	<i>n/a</i>	Y
WACM 1	Positive	Positive	Neutral	Neutral	<i>n/a</i>	Y
WACM 2	Positive	Positive	Neutral	Neutral	<i>n/a</i>	Y

Voting Statement:

The original proposal and both alternatives are positive to varying degrees against both applicable objective (a) and (b). Against applicable objective (a) the proposals should enable the ESO to be better able to meet and discharge its licence obligations and responsibilities. The proposals are also positive against applicable objective (b) as they introduce an effective funding process to minimise any negative impact on competition because of the new requirements. Overall, the original and WACM 2 are preferable, as WACM1 has a number of additional hurdles that may undermine investment in generation and adoption of the changes.

	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Priyanka Mohapatra – Scottish Power Renewables					
Original	Neutral	Positive	Neutral	Neutral	<i>n/a</i>	Y
WACM 1	Positive	Positive	Neutral	Neutral	<i>n/a</i>	Y

ESO

WACM 2	Positive	Positive	Neutral	Neutral	<i>n/a</i>	Y
Voting Statement:						

	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Robert Longden – Cornwall Insight					
Original	Positive	Positive	Neutral	Neutral	<i>n/a</i>	Y
WACM 1	Positive	Positive	Neutral	Neutral	<i>n/a</i>	Y
WACM 2	Positive	Positive	Neutral	Neutral	<i>n/a</i>	Y
Voting Statement:						

	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
	Sean Gauton – Uniper Energy					
Original	Neutral	Positive	Neutral	Neutral	<i>n/a</i>	Y
WACM 1	Neutral	Positive	Neutral	Neutral	<i>n/a</i>	Y
WACM 2	Neutral	Positive	Neutral	Neutral	<i>n/a</i>	Y
Voting Statement:						
<p>If GC0156 is passed and applies retrospective obligations to parties, and parties are not to be commercially disadvantaged, then for those parties that do not receive a restoration contract a route to recover the costs of compliance is necessary. The Original proposal and both alternative proposals provide a route to cost recovery.</p>						

Of the 6 votes, how many voters said this option was better than the Baseline.

ESO

Option	Number of voters that voted this option as better than the Baseline
Original	5
WACM1	5
WACM 2	5

Stage 2b – Workgroup Vote

Which option is the best? (Baseline, Proposer solution (Original Proposal), WACM1 or WACM2)

Workgroup Member	Company	BEST Option?	Which objective(s) does the change better facilitate? (if baseline not applicable)
Garth Graham	SSE	Original	a, b, d
Paul Mott	ESO	Baseline	a, b, c, d
Paul Youngman	Drax	WACM2	a, b
Priyanka Mohapatra	Scottish Power Renewables	WACM2	a, b
Robert Longden	Cornwall Insight	WACM2	a, b
Sean Gauton/Paul Jones	Uniper Energy	-	-