

Workgroup Consultation Response Proforma**CMP398: GC0156 Cost Recovery mechanism for CUSC Parties**

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 24 January 2023**. 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 banke.john-okwesa@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
Respondent name:	Garth Graham
Company name:	SSE Generation
Email address:	Garth.graham@sse.com
Phone number:	01738 456000

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.

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.*

*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.

Please express your views in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions		
1	Do you believe that the Original Proposal better facilitates the Applicable Objectives?	Mark the Objectives which you believe the original solution better facilitates: Original <input checked="" type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> D <input type="checkbox"/> E We believe that CMP398 is better against Applicable Objectives (a), (b) and (d) when compared with the baseline (and neutral in terms of (c)). Our rationale is as set out in the Proposal Form which, the sake of brevity, we refrain from repeating here: please refer to the Proposal Form itself (or pages 10-11 of the consultation document).
2	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Yes, we support the proposed implementation approach.
3	Do you have any other comments?	In respect of the suggestion that the ESO should be a member of the claims validation committee, we concur with the views expressed by a Workgroup member about the inherent issues that this could give rise to given the nature of the confidential commercial information to be provided, by the claimants, to that committee which it would not be appropriate for the ESO; given its inherent conflict of interest in such a situation; to be privy to. Furthermore, we note that the ESO has not explained why (beyond a 'fishing expedition'?) the ESO actually needs such detailed commercially confidential information itself for the performance of its CMP398 duties. For the avoidance of doubt, we have suggested that Ofgem would be a part of the claims committee, and this; along with the independence of the committee appointment and membership; should be sufficient assurance to the ESO (and stakeholders more generally) as to demonstrate the veracity of the committee.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Click or tap here to enter text.

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Specific Workgroup Consultation questions

5	<p>Given that most generators have some inherent resilience that has to be maintained regardless of this modification/regardless of ESRS, do you believe the inherent resilience should be considered when generators are requesting for funding for 72hrs resilience? If so, please explain why?</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>The likely duration of <i>inherent resilience</i> will vary significantly from generator to generator, both in terms of generation technology as well as by operator.</p> <p>For example, based on our general understanding of the nuclear safety case in GB, it is our assumption that nuclear power stations have (for understandable nuclear safety reasons) many days of <i>inherent resilience</i>. However, even in that case, those nuclear power stations are unable to return to service in conformance with the proposed GC0156 72 hours obligation, i.e. within circa 2 to 74 hours after a blackout commences.</p> <p>It is important to recognise that such <i>inherent resilience</i> is not a pre-requisite for other generators (that do not, for example, have a nuclear safety case to satisfy).</p> <p>Rather, <i>inherent resilience</i> will be assessed, by each operator, on a case-by-case basis taking into account a number of factors, including the likelihood of the event (a blackout) occurring (there having not been, according to the ESO, a total shutdown in the GB transmission system since its inception some 95 years ago) and its financial impact on the commercial operation of that asset, within a competitive marketplace, in terms of the CAPEX and OPEX costs involved in providing <i>inherent resilience</i>; whilst noting that generators, unlike the ESO, do not have remunerated security of supply obligations (in terms of being able to recover the said CAPEX and OPEX).</p> <p>For most generators it would be logical to base their plant's <i>inherent resilience</i> on the day-to-day scenario 1 type situation (as set out in the recent GC0156 workgroup consultation) rather than scenario 2 (which is blackout based) as parties have no experience, in GB terms, of scenario 2 type events on their assets.</p>
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		<p>Notwithstanding the above, it is important to note that if a plant did, currently, have <i>inherent resilience</i> for 'X' hours duration then they would, under the CMP398 process, have to explain to the claims validation committee why it was reasonable, efficient and proportionate to spend £'Y' to extend 'X' hours to 'Z' hours if 'X' hours was sufficient for the purposes of GC0156.</p>
6	<p>The terms of reference of the workgroup requests that the workgroup estimates a cost impact for this modification, if approved. Do you have any cost information (anonymised/hypothetical) for CMP398 that you can share with the Workgroup? if so, please do so.</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>The cost of CMP398 should be relatively modest as its limited to claim validation process itself.</p> <p>It should be noted that the vast majority of the relevant ESRS costs arise from the GC0156 obligations itself – and <u>not</u> from CMP398. Any suggestion to the contrary would be to misrepresent CMP398 (and misunderstand GC0156).</p> <p>Indeed, without the GC0156 obligations no costs would arise in terms of CMP398 (there would be no claims, ergo, no claims to be validated).</p> <p>In terms of cost information, it is our understanding (from the information already shared by the ESO with the GC0156 workgroup) that the ESO already has this information, and we agree with CMP398 Workgroup members that this existing, anonymised, information should be shared by the ESO with the CMP398 Workgroup as well.</p>
7	<p>The Proposer is considering adding this wording to CMP398: <i>“The Claimant party shall use reasonable endeavours, exercising good Industry practice, to identify if compliance with the GC0156 requirement could be achieved at a materially lower cost by meeting a lesser technical requirement (such as by providing resilience for less than 72 hours) and if so, then they shall advise the ESO accordingly and liaise</i></p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>This wording arose from an informed suggestion from a Workgroup member which the Proposer helpfully responded to. It is possible that a number of these types of situations may arise as parties seek to minimise the cost of implementing GC0156.</p> <p>This suggestion is a pragmatic way to proceed as it allows the individual case to be considered – and presented to Ofgem for decision - rather than just blindly applying GC0156 to all cases (without applying a <i>check & balance</i> approach that is reflective of the situation at hand).</p>

	<p><i>with the ESO about possible solutions associated with a derogation. If appropriate, they shall seek a derogation from Ofgem on that basis. If a derogation is not forthcoming then the cost (subject to being reasonable, efficient and proportionate) shall be claimed for.”</i></p> <p>Do you consider there would be a lot of such cases?</p>	
8	<p>Do you agree with the proposed level of £100k for ex ante pre approval or should the level be higher or lower than this, and if so, why?</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>The level is appropriate as it allows for material costs to be pre-approved before being incurred (and thus avoiding nugatory costs arising).</p>