

ELEXON

10 January 2023

By email to: cusc.team@nationalgrideso.com

Dear CUSC team,

Re: CUSC Modification CMP398 'GC0156 Cost Recovery mechanism for CUSC Parties'

Thank you for the opportunity to respond to the [CMP398 Workgroup Consultation](#). Elxon is the Code Manager for the Balancing and Settlement Code (BSC). Our response therefore focuses on identifying any BSC impacts or interactions from CMP398.

We note that the CMP398 Workgroup's consultation does not at this stage include draft CUSC legal text. From the consultation materials provided, we have not identified any direct impact from CMP398 on the BSC's own compensation arrangements for a Black Start event (Total or Partial Shutdown of the system).

We note that the intention of CMP398 is to provide a process for CUSC Parties to recover the CAPEX and OPEX costs that they incur in ensuring that their sites have the capability to deliver the new [GC0156](#)¹ resilience requirements. These costs will be incurred before, and regardless of whether, any actual Total or Partial Shutdown occurs. We agree that this is different in principle to the BSC's process for Black Start compensation claims, which enables BSC Parties to recover the Avoidable Costs that they incur during a Total or Partial Shutdown event as a direct result of complying with a Black Start instruction from NGENSO.

Although the two Codes would therefore cover different types of costs, we agree with the Proposer that (to avoid any possible double-counting) it would be a sensible precaution for the CMP398 legal text to make it a condition of any upheld CUSC claim that the successful claimant cannot later submit a BSC Black Start claim for the same costs.²

We note that parts of the CMP398 solution are based on the BSC's claims committee process for Fuel Security Code claims. Under this existing BSC process, generators can recover Exceptional Costs that they incur in anticipation of, or during, a Fuel Security Period as a direct result of complying with a Secretary of State direction. We:

¹ GC0156 'Facilitating the Implementation of the Electricity System Restoration Standard'.

² The BSC's definition of Black Start Avoidable Costs already excludes insurance, financing and overhead costs. As part of any BSC Modification Proposal needed to deliver the intention of GC0156, a BSC Workgroup could consider whether to adopt a 'belt and braces' approach of placing a reciprocal restriction on any BSC claimant from being able to claim for costs recovered under another Industry Code.

- Believe that it is for the CMP398 Workgroup to determine the extent to which these BSC provisions are appropriate/applicable for the relevant CAPEX and OPEX costs under consideration for CUSC recovery.
- Highlight that [BSC Procedure \(BSCP\) 201](#)³ contains more detailed information on the BSC claims processes for both Avoidable Costs and Exceptional Costs (including claims forms, guidance on the types of costs that can be claimed, and draft Claims Committee terms of reference), which may be helpful to the CMP398 Workgroup in making this decision.
- Note that the CMP398 consultation refers to CUSC claims committee members being remunerated in line with the BSC process, but are unsure what this means in practice for the CUSC (as remuneration for BSC claims committee members forms part of the BSC Costs recovered by Elexon from BSC Parties).

We understand that the intention is to align implementation of CMP398 with GC0156. We would therefore also like to highlight our recent response to the GC0156 Workgroup Consultation⁴. Our response to GC0156:

- Gives our view of the likely changes needed to the BSC's Black Start compensation rules to deliver the intention of GC0156.
- Sets out our estimated timescales for progressing these changes (noting that they have yet to be raised as a BSC Modification Proposal).
- Includes our related comments on the GC0156 implementation approach and legal text.

If you would like to discuss any areas of our response, please feel free to contact me at: kathryn.coffin@elexon.co.uk. This response is public and is published on our website.

Yours faithfully,

Kathryn Coffin

Senior Market Architect, Design Authority
Future Markets and Engagement

³ 'Black Start and Fuel Security Contingency Provisions and Claims Processes'.

⁴ You can find a copy of our response to the GC0156 Workgroup Consultation here: <https://www.elexon.co.uk/smg-issue/issue-100/>