

Code Administrator Consultation Response Proforma**CMP408: Allowing consideration of a different notice period for BSUoS tariff settings**

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 13 September 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 cusc.team@nationalgrideso.com

Respondent details	Please enter your details	
Respondent name:	Niall Coyle	
Company name:	E.ON UK	
Email address:	Niall.coyle@eonenergy.com	
Phone number:	07824369037	
Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input checked="" type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

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 (charging) Objectives are:

- 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 therewith) facilitates competition in the sale, distribution and purchase of electricity;*
- 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 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;
- d. Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and
- e. Promoting efficiency in the implementation and administration of the system charging methodology.

***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.*

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

Standard Code Administrator Consultation questions						
1	Please provide your assessment for the proposed solution against the Applicable Objectives?	Mark the Objectives which you believe the proposed solution better facilitates:				
		<table border="1"> <tr> <td>Original</td> <td><input type="checkbox"/>A</td> <td><input type="checkbox"/>B</td> <td><input type="checkbox"/>C</td> <td><input type="checkbox"/>D</td> <td><input type="checkbox"/>E</td> </tr> </table>	Original	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C
Original	<input type="checkbox"/> A	<input type="checkbox"/> B	<input type="checkbox"/> C	<input type="checkbox"/> D	<input type="checkbox"/> E	
		We do not believe that CMP408 better facilitates the CUSC objectives ('No' with regards to a and c, and 'neutral' for b, d and e). As a consequence of reducing the notice period for BSUoS tariff setting, the proposal increases the risk exposure for suppliers on any fixed contracts they may agree, thereby increasing the likelihood of suppliers including risk premium in their fixed contract offerings and increasing the overall cost to consumers. CMP408 by itself also seriously erodes the benefits of the BSUoS task forces and CMP361/2				
2	Do you have a preferred proposed solution?	<input type="checkbox"/> Original <input checked="" type="checkbox"/> Baseline <input type="checkbox"/> No preference				
		One of the main benefits of fixing BSUoS charges in advance is that it allows suppliers to reduce (or even remove) risk premia that must be added to the tariff to insure the supplier against higher than forecasted BSUoS charges. The BSUoS task force agreed that a combined 15 months fix/notice period is required for a fixed BSUoS tariff to have the required effect of reducing supplier risk premia.				

		<p>Shorter notice periods means that when a customer seeks a fixed contract there is reduced certainty of future tariffs, therefore leading to suppliers including risk premia.</p> <p>We believe the current baseline of 9N6F is the optimum fixed/notice period to allow suppliers to reduce risk premia in fixed contract offerings, therefore reducing the overall cost to consumers.</p>
3	<p>Do you support the proposed implementation approach?</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Should CMP408 be approved, we believe it should be implemented for the next tariff period for which final tariffs are yet to be published. We do not support re-publishing a new fixed tariff to be effective from Apr-24, as this is likely to cause confusions to customers in what is already a volatile market environment, and may have already made business decisions on the back of the final tariff publication issued by National Grid ESO on 30th June.</p>
4	<p>Do you have any other comments?</p>	<p>The BSUoS task force agreed that a combined 15-month fix/notice period is required for a fixed BSUoS tariff to have the required effect of reducing supplier risk premia. We believe this is still true today, and that maintaining the 15-month combined fixed and notice period is paramount to the success of the ex-ante fixed BSUoS charging methodology.</p> <p>However, if Ofgem feel a shorter notice period is necessary then we strongly urge that it is done so while maintaining the 15-months combined period, via simultaneous implementation of CMP415, so as not to completely erode the benefits of CMP361/2.</p>