

Workgroup 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 22 May 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 Claire Goult claire.goult@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
Respondent name:	Kate Livesey
Company name:	Drax
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Phone number:	07596 865152

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 Workgroup Consultation questions	
1	<p>Do you believe that CMP408 Original Proposal better facilitates the Applicable Objectives?</p>
<p>Mark the Objectives which you believe the original solution better facilitates:</p> <p>Original <input type="checkbox"/>A <input type="checkbox"/>B <input type="checkbox"/>C <input type="checkbox"/>D <input type="checkbox"/>E</p> <p>We don't believe sufficient evidence has been presented to show the Original better facilitates the Applicable Objectives compared to the Baseline. The Baseline arrangements have only been in place since 1 April 2023, and as yet there is no evidence of failure or indeed market or consumer detriment.</p> <p>Moreover, the Original Proposal contradicts the findings of the Second BSUoS Taskforce, which recommended the combined length of the Notice Period and Fixed Period be at least 15 months. In our opinion, this is still relevant, meaning the Original goes against this recommendation, which has been supported by data and endorsed by Ofgem.</p> <p>Notwithstanding the above points, rather than facilitate the Applicable Objectives, we believe the Original Proposal may bring about detriment with respect to the following objectives:</p> <p>Applicable CUSC Objective (a): Altering the tariff setting methodology in this way is likely to make it more difficult for suppliers to predict the BSUoS charge, thereby encouraging suppliers to include risk premia in the prices offered to consumers. This may reduce competition within the supply sector, increasing costs for consumers.</p> <p>Applicable CUSC Objective (e): Changing the methodology so soon after an Ofgem decision is not an efficient way of implementing or administering the CUSC charging methodology.</p>	
2	<p>Do you support the proposed implementation approach?</p>
<p><input type="checkbox"/>Yes <input checked="" type="checkbox"/>No</p> <p>It is our view that should this modification be approved, any published tariff under the Baseline regime should not</p>	

		<p>be updated by any new arrangements brought in. Suppliers, particularly those operating within the non-domestic market, will have already engaged, negotiated and agreed contracts with customers using published BSUoS tariffs, as contracts are typically signed several months in advance. Therefore, changes to existing tariffs are likely to place a financial detriment on suppliers.</p>
3	Do you have any other comments?	<p>Further to our view that insufficient evidence of Baseline failure has been provided, Annex 4 shows how the Baseline provides greater certainty for suppliers. The charts on slide 1 show that the current arrangements of 9-month Notice Period and 6-month Fixed Period provide certainty of BSUoS costs for the whole 12-month contract, whereas the Original Proposal would only provide certainty for the first 6 months of the contract. Whilst some assumptions have been made in order to develop these charts (e.g., the only contracts considered are 12-months long and sold 3 months in advance), the charts demonstrate that there are circumstances that greatly benefit from the Baseline arrangements and would be worsened by the Original Proposal.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>At this time we don't wish to raise an alternative, however we may do in the future to ensure the combined length of Notice Period and Fixed Period is at least 15 months, as we believe the findings of the Second BSUoS Taskforce remain relevant (please see our response to Question 6 for further details).</p>

Specific Workgroup Consultation questions		
5	What notice period for the BSUoS tariff do you feel is appropriate? Please provide the rationale for your response.	<p>Given there is no evidence of failure of the current Baseline arrangements, we currently support the Baseline 9-month Notice Period. However, if evidence is presented that shows market or consumer harm under the Baseline, then we may change this view.</p>
6	Do you believe that the 15-month combined fixed and notice period remains appropriate and that the fixed period of the BSUoS tariff also needs to be changed? Please provide the rationale for your response.	<p>Yes, we believe Ofgem's decision and the findings of the Second BSUoS Taskforce remain relevant, and the combined length of Notice Period and Fixed Period should be at least 15 months. This Taskforce recommendation was supported by extensive data, rigorous cost:benefit analysis and endorsed by Ofgem. No equivalent evidence or rigour has been attempted by the Proposer to show that this recommendation is no longer relevant. The data presented by the Proposer on slide 4 of Annex 3 shows an increase in variability/spread</p>

		<p>of BSUoS costs since the Second BSUoS Taskforce, which the Proposer believes is evidence that the Taskforce findings are no longer relevant. However, we note that this data does not in and of itself indicate any decrease in the <i>predictability</i> of BSUoS costs, which may otherwise be a valid reason to consider deviating from the Taskforce recommendation.</p>
<p>7</p>	<p>Do you agree that the implementation of the tariff introduced by CMP408 (if approved for implementation on 1st April 2024) should supercede any prior tariff set in the current 9-month notice period? Please provide the rationale for your response.</p>	<p>No, we don't agree that the CMP408 arrangements should allow tariffs that have already been published to be superseded. Many suppliers will have already sold contracts based on the published tariffs and it's unreasonable for these tariffs to be overwritten, potentially at a cost to suppliers and/or consumers.</p>