

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:	Daniel Parry
Company name:	Shell Energy UK
Email address:	Daniel.Parry@ShellEnergy.co.uk
Phone number:	Click or tap here to enter text.

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	Do you believe that CMP408 Original Proposal better facilitates the Applicable Objectives?	Mark the Objectives which you believe the original solution better facilitates:
		Original <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		The proposer suggests there is a positive impact under Objective A and a shorter notice period would lead to reduced BSUoS risk premiums. We do not believe this would be the case (please refer the high-level summary of a Workgroup member’s analysis, annex 4)
2	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Click or tap here to enter text.
3	Do you have any other comments?	N/A
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.

Specific Workgroup Consultation questions		
5	What notice period for the BSUoS tariff do you feel is appropriate? Please provide the rationale for your response.	We agree that it is important to get the balance right between length of the notice period and forecast accuracy, which would reduce the chances of an in-period Fixed tariff reset. We also agree, in general, shorter the notice period, higher the forecast accuracy would be. However, we have noted as per ESO’s latest BSUoS outturn report, Jan-23 to Mar-23 outturn was much closer to ESO’s year ahead forecast than their month ahead forecast. Whilst we agree in principle that closer to delivery a more accurate forecast can be produced, we do not believe a shorter notice period on its own (i.e 3N6F model) would

		<p>help customers as suppliers would still have to consider BSUoS risks outside that short window.</p> <p>We also broadly agree with the high-level supplier risk exposure analysis (Annex 4) produced by a Workgroup member and the high-level points raised in there.</p> <p>We believe, if the proposer would like to reduce the current 9 months' notice period to 3 months, then a 3N12F model should be implemented rather than a 3N6F model. We would like to highlight the fact that a 3N6F model would give suppliers/customers the least BSUoS cost certainty, hence comparatively the longest period of risk exposure across the three models (i.e 9N6F, 3N12F & 3N6F).</p> <p>We also would like to highlight the point that any changes implemented via this change proposal must not come at a cost of increased probability of a fixed tariff reset within a fixed period.</p> <p>We appreciate under CMP408, the proposer is only looking to reduce the notice period and the length of the fixed period & an industry fund is outside the scope of this change proposal. Also, we appreciate the fixed period and an industry fund would be looked at by a separate TCMF sub-group. However, we believe, given the strong interrelationship between the notice period, fixed tariff period and industry fund (where necessary), those elements should be considered holistically rather than in isolation.</p>
6	<p>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>	<p>Yes, we believe that the 15-months combined fixed and notice period model is appropriate and must be maintained.</p> <p>If a shorter model was implemented (eg: 3N6F), then we do not believe it would achieve the original objectives of Ofgem's approved CMP361 WACM3 modification (i.e to increase BSUoS cost certainty hence reduce the BSUoS risk on end consumers).</p> <p>Therefore, we believe if the notice period is reduced to 3 months, then the fixed period of the BSUoS tariff should be increased to 12 months, which would give more BSUoS cost certainty for both the supplier and the end consumer compared to a 3N6F model.</p>
7	<p>Do you agree that the implementation of the tariff introduced by CMP408 (if approved</p>	<p>Yes, we agree. We have no concerns with the Proposer's preferred option under this point.</p>

<p>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>We believe ESO must set any fixed tariffs from Apr-23 onwards to the decided fixed period (we prefer a 12-months fixed period as mentioned under our response to question 6) by the end of Dec-23 to give the industry full three calendar months of notice.</p>
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