

Code Administrator Consultation Response Proforma**CMP415: Amending the Fixed Price Period from 6 to 12 months**

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:	Paul Youngman	
Company name:	Drax	
Email address:	Paul.youngman@drax.com	
Phone number:	07738 802266	
Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network <input type="checkbox"/> Operator <input checked="" type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input checked="" 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 (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 Code Administrator Consultation questions						
1	Please provide your assessment for the proposed solution(s) against the Applicable Objectives?	Mark the Objectives which you believe the proposed solution(s) better facilitates: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Original</td> <td style="width: 50%; text-align: center;"> <input type="checkbox"/>A <input type="checkbox"/>B <input type="checkbox"/>C <input type="checkbox"/>D </td> </tr> <tr> <td>WACM1</td> <td style="text-align: center;"> <input type="checkbox"/>A <input type="checkbox"/>B <input type="checkbox"/>C <input type="checkbox"/>D </td> </tr> </table> <p>Original:</p> <ul style="list-style-type: none"> Negative against non-charging objective (b) – Compared to the Baseline arrangements of 9N6F, the Original acts to reduce visibility of upcoming BSUoS Tariffs ahead of time due to the shorter notice period of 3 months. This may cause suppliers to include higher risk premia in contract pricing compared to the Baseline situation, which will negatively impact on competition and result in higher prices for consumers. Neutral against non-charging objectives (a), (c), (d) – no further comments. <p>WACM1:</p> <ul style="list-style-type: none"> Negative against non-charging objective (b) – Compared to the Baseline arrangements of 9N6F, WACM1 acts to reduce visibility of upcoming BSUoS Tariffs ahead of time due to the shorter notice period of 3 months. This may cause suppliers to include higher risk premia in contract pricing compared to the Baseline situation, which will negatively impact on competition and result in higher prices for consumers. Neutral against non-charging objectives (a), (c), (d) – no further comments. <p>As CMP415 is a consequential modification to CMP408, it's also important to compare it to the CMP408 proposed arrangements of 3-month notice, 6-month fixed:</p> <ul style="list-style-type: none"> Compared to CMP408 (3N6F), CMP415 and WACM 1 bring positive improvements against non-charging objective (b) and result in better arrangements for consumers. CMP415 and WACM1 ensure the Notice Period + Fixed Period = 15 months. This was a key recommendation from the 2nd BSUoS Taskforce 	Original	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D	WACM1	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D
Original	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D					
WACM1	<input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D					

		<p>because this arrangement can provide greater visibility of BSUoS costs to suppliers, likely leading suppliers to reduce risk premia included within contract pricing. This benefits consumers due to lower costs and improved competition.</p> <ul style="list-style-type: none"> • Whilst the ESO claim that the 2nd BSUoS Taskforce recommendation is no longer valid, no evidence has been provided to discredit the recommendation, which was endorsed by Ofgem after rigorous examination of evidence.
2	Do you have a preferred proposed solution?	<p> <input type="checkbox"/>Original <input type="checkbox"/>WACM1 <input checked="" type="checkbox"/>Baseline <input type="checkbox"/>No preference </p> <p>We believe the Baseline arrangements of 9N6F offers the greatest certainty for suppliers well in advance of tariff start dates, which is particularly important in the non-domestic sector where contracts are agreed many months in advance. This certainty is important for consumers as it'll likely result in reduced risk premia being applied to contract prices.</p>
3	Do you support the proposed implementation approach?	<p> <input type="checkbox"/>Yes <input checked="" type="checkbox"/>No </p> <p>We don't agree that any change as a result of CMP408 should result in already published tariffs being replaced. Many suppliers will have already negotiated and sold contracts based on the published BSUoS Tariffs beginning 1st April 2024 and 1st October 2024, and it would be unfair to change these retrospectively.</p>
4	Do you have any other comments?	<p>There has been insufficient evidence that a defect exists in the current charging methodology. The existing arrangement has only been in place for a few months, and even then not in its true form due to the timing of Ofgem's decision on CMP361 with respect to the charging calendar (i.e., a 9-month notice period wasn't possible for April 2023 or October 2023 due to Ofgem's decision mid-December 2022).</p>