

CMP250: Stabilising BSUoS with at least a twelve month notification period

Panel Recommendation Vote



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Background/Summary of the defect

- CMP250 was raised by Drax and was submitted to the CUSC Modifications Panel for their consideration on 28 August 2015
- CMP250 seeks to eliminate BSUoS volatility and unpredictability by proposing to fix the value of BSUoS over the course of a season, with a notice period for fixing this value being at least 12 months ahead of the charging season
- This will look to mitigate the fact that BSUoS is only known after the event (ex post) and is becoming significantly more volatile and unpredictable as a consequence of the dramatically changing generation mix

Workgroup Consultation

- The Workgroup Consultation was carried out in March 2016
- As well as the standard consultation questions above, the Workgroup also sought views on thirteen specific questions
- Sixteen Responses were received to the Consultation
 - Majority of respondents supported the proposal

Terms of Reference

- Terms of Reference have been met:

	Evidence in Workgroup Report
a) Implementation	Section 5
b) <i>Review draft legal text</i>	Annex 11
c) <i>Consider who picks up the costs of transferring the risk.</i>	Section 2
d) <i>Consider whether transferring the risk has a consumer benefit</i>	Section 2
e) <i>Can CMP250 be applied with an independent SO?</i>	Section 2
f) <i>Technical and commercial implementation for customers</i>	Section 2 and Section 5
g) <i>Consider effect of charging volatility/ predictability/ HH/ Day ahead/Year ahead/</i>	Section 2
h) <i>Minimum notification period required to make a material difference</i>	Section 2

Workgroup Vote

- The Workgroup agreed to support four options to become WACMs
- Eight workgroup members voted on the Proposal and the WACMs
 - Three Workgroup Members concluded that the Original proposal facilitates the Applicable CUSC Objectives better than the baseline
 - Two Workgroup Members concluded that WACM 3 better facilitates the Applicable CUSC Objectives better than the baseline
 - The baseline, WACM1 and WACM 4 received support for one Workgroup Member

Code Administration Consultation

- Thirteen responses were received to the Code Administrator Consultation
- The majority of respondents agreed that the proposals and/or WACMs better facilitates the applicable CUSC objectives
- Two respondents considered that the baseline better facilitates the applicable CUSC objectives
- One respondent consider that further work should be considered before the CMP250 could be supported

National Grid View

- Although fixing BSUoS charges may give some relief to market participants of a volatile cost this does not appropriately recognise the transition to a more dynamic system and the price signal that BSUoS will provide for smarter more flexible markets.
- National Grid consider that developing a BSUoS product ahead of the next SO price control which fixes those elements of BSUoS that form a residual cost and leaves variable those that provide a market signal is more suitable.
- Additionally, there is no suitable mechanism with the current price control to allow for the recovery of the costs and capital associated with the System Operators assuming this risk. It would be more appropriate to also consider these elements within the next price control. If a decision was taken to implement the modification significant changes to the NGET licence would be required to facilitate appropriate funding of financing costs incurred by the System Operator and over/under recovery arrangements.
- In addition, as noted in some detail in paragraph 5.2 a lead time would be required to allow National Grid to effectively implement the solution.

Questions before Panel Vote?



Panel Recommendation Vote – CUSC Charging Applicable Objectives

- (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. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1; and
 - (e) Promoting efficiency in the implementation and administration of the CUSC arrangements.
- *Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

Proposed Timetable

CUSC Panel Recommendation vote	26 January 2018
Issue Final CUSC Modification report to the Authority	2 February 2018
Authority Decision	9 March 2018 (indicative date)
Decision implemented in CUSC	1 April 2018 (<i>assuming decision provided before 31 March 2018, if decision provided after 31 March 2018 then Implementation will take place 1 April 2019</i>)