CUSC Workgroup Consultation Response Proforma

CMP311 Reassessment of CUSC credit requirements for Suppliers, specifically for "User Allowed Credit" as defined in Section 3, Part III section 3.27 of the CUSC

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 by **29 October 2019** to cusc.team@nationalgrideso.com Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Chrissie Brown at christine.brown1@nationalgrideso.com

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

Respondent:	*Steve Fletcher steve@sbgp.co.uk*
Company Name:	*Switch Business Gas and Power*
Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries)	**For reference, the Applicable CUSC Objectives for the Use of System** (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. **Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).* *Risk of failure of a supplier is currently covered by Supplier of last resort provisions. Extracting one element (CUSC) from the potential cost of this risk does not make sense. It seems the result will be additional costs for suppliers and therefore consumers ultimately and reduced competition in return for undefined benefits. If even after this change if there are outstanding liabilities for Cusc – are we to assume that the SOLR will still be available to pick these costs up? The result seems to be a net zero change. Our experience is that the payment date credit provides an incentive on*

	suppliers to keep up with payments and reducing this incentive may have the unforeseen consequence of raising default liabilities.

Standard Workgroup consultation questions

Q	Question	Response
1	**Do you believe that CMP311 Original proposal (revised since originally proposed to just remove the Payment Record Sum) better facilitates the Applicable CUSC Objectives than current arrangements?**	No
2	**Do you support the proposed implementation approach, both in terms of allowing at least 12 months to make arrangements and the Workgroup suggestion to commence in April with the Financial Year?**	No

Q	Question	Response
3	**Do you have any other comments?**	As a small new entrant, we have paid our invoices 100% on time or before due date. Our business model was based on the assumption of obtaining credit according to Payment record and has been a useful tool in ensuring we always pay on time. The proposal is a major change to our financial structure. We are now only 6 months from the proposed implementation date. As a new supplier we will be further disadvantaged by the method of calculating credit requirement due. It is obvious that starting from a low base that our forecasting error is likely to be higher than an established supplier. This forecast error feeds into var and helps calculate the credit required. We will therefore be placed at a competitive disadvantage to suppliers with larger and stable customer bases. As an example, a monthly liability of £4k is turned into a credit requirement of £20k. This would not be acceptable in a genuine competitive environment. The issue of Var may not have been challenged as obtaining credit cover has been generous. We have a credit allowance of several million pounds. Removing credit allowance without reviewing credit requirements does seem a one option is being sought by a monopoly provider. The double impact of removing credit and the impact of var on a small supplier places an unacceptable burden on the business. If credit requirements are to be reviewed, then VAR element should be removed.
4	**Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?**	*If yes, please complete a WG Consultation Alternative Request form, available on National Grid's ESO website[1], and return to the CUSC inbox at* cusc.team@nationalgrideso.com

Specific questions for CMP311

Q	Question	Response
5	**What impact do you think this modification would have on suppliers entering the market?**	*Negative*

[1] https://www.nationalgrideso.com/codes/connection-and-use-system-code-cusc

Q	Question	Response
6	**What impact do you think this modification would have on existing suppliers and what would be the cost to your business?**	
7	**Two potential solutions other than that Proposed have been discussed by the Workgroup, what are your views on these?**	Both unacceptable
8	**What impact do you believe this modification would have on the Consumer?**	Negative – reduced competition as harder to enter market. Also, the var issue above will reduce competitiveness of new suppliers against existing larger suppliers. Possible increased costs to consumer – as suppliers price credit requirements into price to consumer