CUSC Workgroup Consultation

CMP345 ‘Defer the additional Covid BSUoS costs’

Overview: To defer the additional BSUoS costs arising from Covid that are incurred in 2020/21 (between 1 May and 31 August 2020) to the 2021/22 Charging Year.

Modification process & timetable

1. **Proposal form**
   - 19 May 2020
2. **Workgroup Consultation**
   - 1 June 2020 - 3 June 2020
3. **Workgroup Report**
   - 8 June 2020
4. **Code Administrator Consultation**
   - 9 June 2020 - 12 June 2020
5. **Draft Code Modification Report**
   - 12 June 2020
6. **Final Code Modification Report**
   - 15 June 2020
7. **Implementation**
   - 23 June 2020 (Backdated to be effective from 1 May 2020)

Have 5 minutes? Read our Executive summary

Have 20 minutes? Read the full Workgroup Consultation document

Have 30 minutes? Read the full Workgroup Consultation document and annexes

Status summary: Workgroup Consultation. The Workgroup are seeking your views on the work completed to date to form the final solution(s) to the issue raised.

This modification is expected to have a: high impact on	Suppliers, Generators, Consumers, National Grid ESO
Governance route	This modification will be assessed by a Workgroup and Ofgem will make the decision on whether it should be implemented. On the 22 May 2020, the Authority approved that CMP345 should be progressed as Urgent.

Who can I talk to about the change?

Proposer: Garth Graham, SSE Generation

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How do I respond? Send your response proforma to cusc.team@nationalgrideso.com **by 5pm on 3 June 2020.**

Executive Summary

The low demand (driven by Covid isolation measures) increases the balancing actions that ESO has to take to manage the system. These actions cost money, and the costs are recovered through BSUoS charges. The ESO's current published forecast shows a potential £500m increase in BSUoS costs for this summer compared to the ESO's forecast published in February 2020.

CMP345 seeks to defer the additional BSUoS costs arising from Covid that are incurred in 2020/21 (over the period 1 May 2020 to 31 August 2020) to the 2021/22 Charging Year.

What is the issue?

On Friday 15 May 2020 the ESO published a revised BSUoS forecast for the rest of the 2020/21 year, taking account of the additional costs it expects to incur as a consequence of the Covid situation. This equates to a ~£500m increase in BSUoS costs for this summer compared to the ESO's forecast published in February 2020.

The Proposer believes that this unprecedented and unexpected change will have significant commercial impacts on generators and suppliers and will adversely impact competition in the generation and supply of electricity.

What is the solution and when will it come into effect?

Proposers solution:

Defer the additional BSUoS costs arising from Covid (~£500m) that are incurred in 2020/21 to 2021/22	**Smear these costs across all BSUOS Payers over the whole 2021/22 charging year**	**Hard code a cap of £500m into CUSC**	**Covers Covid related BSUoS costs incurred from 1 May 2020 to 31 August 2020**	**Implementation Date 23 June 2020 / Backdate Effective Date to 1 May 2020**

Potential other solutions:

A number of potential other solutions have been discussed and debated within the Workgroup. These are:

- **Within Year Cost Deferral** - Defer a set £62.5m a month of BSUoS costs, as a proxy for Covid related costs, from 1 June to 30 September 2020 to offer an overall level of support of £250m. Then recoup those costs from October 2020 – January 2021 spread over all settlement periods;
- **Cost Deferral to 2022/2023 -** As per Original but defer the additional BSUoS costs arising from Covid (~£500m) that are incurred in 2020/21 to 2022/23 or defer half the Covid costs (~£250m) to the 2021/22 Charging Year and the other half to the 2022/2023 Charging Year;
- **Target Covid costs to specific Settlement Periods** - As per Original but target the deferred Covid costs in 2020/21 to the equivalent Settlement Periods in 2021/2022;

- **Extended Payment Terms – ESO -** Offer extended payment terms for users who opt in from 3 days to 150 days (5 months) for 30% BSUoS charges (with the remaining 70% costs paid as usual) in the period between June 2020 and September 2020;
- **Extended Payment Terms – Other -** Defer the Covid costs within the 2020/21 Charging Year by allowing an option for a Payment Holiday for up to 6 months for any identified Covid costs;
- **BSUoS price cap -** Set a BSUoS price cap of £X/MWh based on historic extreme prices, with any BSUoS costs in excess of the cap deferred to 2021/22; and
- **Daily rolling average calculation for BSUoS -** Rolling average calculation for BSUoS that fixes BSUoS charges for the day ahead and smooths any actual cost differentials over the remainder of the charging year.

Implementation date:

The proposed implementation date is 23 June 2020, but this is subject to Ofgem approval.

The Proposer has requested that implementation is backdated such that it covers the Covid costs from 1 May 2020 to the 23 June 2020 (and beyond to 31 August 2020).

The ESO noted that as long as this is approved by Ofgem by 23 June 2020, this can be backdated to cover the Covid costs that applied from 1 June 2020.

However, a separate credit note reconciliation process would be needed for Covid costs from 1 May 2020 to 31 May 2020. Most of the alternative solutions would apply an offline calculation for the period 1 May 2020 to 31 May 2020 - this would be a time-consuming and a potentially error-prone process for the ESO in short timescales where resource is already under increased pressure due to Covid impacts.

What is the impact if this change is made?

This modification will impact Consumers, Generators, Suppliers and National Grid ESO.

Interactions

This proposal will impact the CUSC (Section 14 'Charging Methodologies') and in particular the processes of calculating and billing BSUoS.

There is not expected to be any other associated industry changes required.

This proposal does not have any impact on any ongoing Significant Code Review or other significant industry change as it involves the deferral only of a (£) quantum of cost.

Workgroup Consultation Introduction

This document is the CMP345 **Workgroup's Consultation.** This document outlines;

- **What is the issue?**
- **What is the solution?**
  - Proposer's solution
  - Workgroup considerations
  - Potential solutions

- Draft legal text
- **What is the impact of this change?**
- **When will the change taken place?**
- **How to respond**
- **Acronym table and reference material**

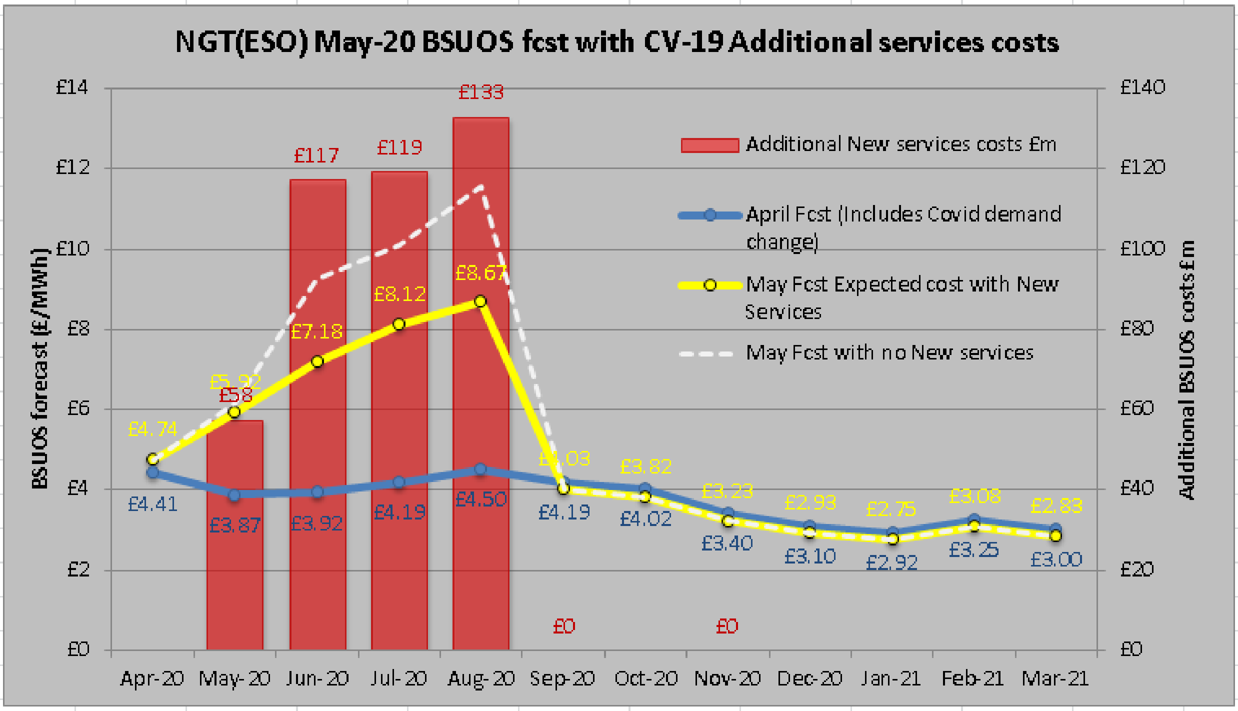
The Workgroup is seeking views on the proposed Original and the alternative solutions. The questions it is seeking answers on are embedded within the document and outlined in the **How to respond** section.

What is the issue?

What is the issue?

On 15 May 2020, the ESO published its revised BSUoS forecast for the rest of the 2020/21 year, taking account of the additional costs associated it expects to incur as a consequence of the Covid situation reducing demand.

The ESO's published information, shown graphically, is as follows:



To put this into context, the February 2020 ESO forecast for BSUoS in 2020/21 was ~£1,478 million. As of 15 May 2020, the ESO is now forecasting BSUoS in 2020/21 as ~ £2,000 million.

This 25%+ increase is to be applied

- From 1 May 2020 – 31 August 2020 rather than the whole year; and

- Over a smaller charging base, with demand in GB reduced by up to 20%[1] due to Covid lockdown / demand suppression.

The combined impact is that BSUoS costs are forecast to increase by around ~90% on average from June- August.

Why is it an issue?

According to the ESO's most recently issued BSUoS forecast of 15 May 2020, the unit BSUoS costs, over the period to end August 2020, are expected to substantially grow. The Proposer believes that this unexpected change will have significant commercial impact on generators and suppliers and will adversely impact competition in the generation and supply of electricity. Specifically:

- **Generators**
    - Will be unable to pass on most of the additional Covid related costs, incurred from 1 May – 31 August 2020 in their market prices given that most sales for May to August generation have already been made; and
    - Would also have to put in place additional BSUOS security for these Covid related contracts.
- **Suppliers**
    - Will be unable to fully recover the Covid related costs via retail tariffs given fixed price contracting and price caps. However, some Workgroup members noted that Suppliers could address the inadequacy of the price cap allowance through asking Ofgem as to whether or not they could levy a surcharge; and
    - Would also have to put in place additional BSUOS security for these Covid related BSUoS costs, as the value at risk month-ahead BSUoS forecast used to determine their security requirement will pick up the higher prevailing BSUoS costs under the baseline CUSC, without this modification.

However, some Workgroup members noted that not all parties would be impacted unfavourably: e.g.

- Parties in the Balancing Mechanism who can forecast BSUoS costs and price them into their offers;
- Embedded generators for whom BSUoS is an embedded benefit;
- Parties who trade in the daily power market rather than the forward power market. The Proposer noted that few parties (if any) trade 100% within day and not in the forward power market;
- Parties who have Contracts for Difference arrangements in place as they will be topped up to their Strike Price, particularly if they have traded forward and achieved higher power prices than the reference price. However, the Proposer noted that the end customer would bear the cost in this case; and
- Any other generators that have sold forward and locked in a spread (profit) who can buy back those positions at the lower current lower spread, and then either sell day ahead, or in the Balancing Mechanism, including BSUoS costs in their prices.

[1] See the ESO's weekly Covid webinar presentations, from late March onwards, for further information on the effects of Covid on electricity demand in GB. These can be found at: https://data.nationalgrideso.com/plans-reports-analysis/covid-19-preparedness-materials

What is the solution?

Proposer's solution:

Defer the additional BSUoS costs arising from Covid (~£500m) that are incurred in 2020/21 to 2021/22	**Smear these costs across all BSUOS Payers over the whole 2021/22 charging year**	**Hard code a cap of £500m into CUSC**	**Covers Covid related BSUoS costs incurred from 1 May 2020 to 31 August 2020**	**Implementation Date 23 June 2020 / Backdate Effective Date to 1 May 2020**

Workgroup Considerations

The Workgroup has, to date, convened four times[2] to discuss the perceived issue, detail the scope of the proposed defect, devise potential solutions and assess the proposal in terms of the Applicable CUSC Objectives.

Scope

Charging for Covid costs

The Proposer believes that the costs for Covid in 2020/21 should be accrued in a 'Covid Account', to be recovered from Users through BSUoS charges applied in 2021/22. The total Covid Account shall be divided by the total number of settlement periods in the 2021/22 financial year. The costs in each settlement period shall be paid by delivering Generation and Demand in each settlement period (£/MWh).

What do Covid costs comprise of

The Workgroup discussed which parts of BSUoS charge should / could be deferred and an appropriate level of BSUoS that can be deferred and sought to establish what constitutes Covid costs. The Workgroup noted that ESO has, in addition to existing products and the Balancing Mechanism where most action is taken, introduced new products and services to manage sustained periods of low demand. The Workgroup agreed that any BSUoS costs associated with the fixed contract with EDF to reduce output as opposed to daily payments to reduce output in the Balancing Mechanism, Optional Downward Flexibility Management (ODFM)[3] along with other items would be Covid costs. The difficult question to address was how to differentiate on a real time basis between those Balancing actions taken by the ESO where the low transmission demand is due to Covid and those taken due to other circumstances, such as fine weather. The majority of

[2] 26 May, 28 May (AM) 28 May (PM) and 29 May (late PM).

[3] The ESO stated that ODFM will be including in BSUoS charges. This is based on the ESO's view that Balancing Services contracts costs are defined as costs incurred for ancillary services as per section 14.31.8 Balancing Services Use of System Acronym Definitions. The ESO have Ancillary Services Agreements in place for ODFM. It was noted in the Workgroup by some members that ODFM had not yet been subject to a completed public consultation or Ofgem approval and therefore some Workgroup members were unclear on whether ODFM costs incurred up to this point could be included within BSUoS to date.

the Workgroup agreed that it would be difficult for ESO to be able to say with confidence whether any individual action was Covid related or not; that would place an additional administrative burden on ESO for something that would be almost impossible to audit.

The Proposer set out what he believes would constitute Covid costs. The Proposer also noted that the ESO's latest published BSUoS forecast identifies low demand levels as less than 18 GW. The Proposer has therefore put forward that balancing actions associated with reduced demand from 18GW to a number below 18GW would be considered as Covid Balancing Actions.

The Modification's identified **Covid Costs** shall comprise:

I) Costs associated with the Optional Downward Flexibility Management (ODFM) service;
II) Costs associated with contracts with nuclear power stations;
III) Costs associated with footroom, inertia and voltage needs which are related to forecast demand of less than 18GW; comprising the net costs in the Balancing Mechanism of (a) offers to change dispatch BMUs at power stations or interconnectors and (b) bids to change dispatch BMUs of at power stations, demand or interconnectors;
IV) Costs associated with the utilisation of Super System Export Limit (SEL) Contracts for demand below 18GW;
V) Costs associated with any relevant Schedule 7A contracts to manage demand when demand is less than 18GW;
VI) If relevant, any compensation arising from GC0143 emergency instructions to embedded generation; and
VII) Financing costs associated with the management of the Covid Account.

The Workgroup also noted that:

- The Financing costs would be an addition to the Covid costs – more commentary on this is set out in the discussion on the Original Proposal; and
- Not all alternative solutions put forward require the identification of Covid costs, which some Workgroup members believed would be the only way that support could be implemented.

Workgroup Consultation question: Do you believe it is necessary to define Covid related costs for the purposes of BSUoS charging as a result of this Modification proposal? Please provide rationale to support your response.

Workgroup Consultation question: Do you agree with the Original Proposal (and each of the potential alternatives) as to what constitutes Covid related costs? Please provide rationale to support your response.

Original Proposal

The Workgroup discussed each aspect of the Original proposal. The discussion is set out below and following this, a number of alternative solutions are proposed.

Defer the additional BSUoS costs arising from Covid (£500m) that are incurred in 2020/21 to 2021/22

The Proposer suggested that the ESO shall accrue in a separate account the Covid Balancing Services Costs up to a cap of £500M. The accrual will take place from 1 May 2020 until 31 August 2020, or such later date determined by the ESO following a consultation and agreement with the Authority – such date would not be later than 31 March 2021.

The Proposer argued that the expected cost of BSUoS could be neither forecasted or expected by market participants (Suppliers and Generators) or indeed the ESO itself. Some of the Workgroup agreed and a Workgroup member added that the power market didn't take into account the £4/MWh increase in BSUoS costs. One Workgroup member evidenced this by reference to an ESO comment on BSUoS at an ESO Covid seminar on 25 March 2020 *that "at the moment we don't have a clear answer on what's going to happen with BSUoS"*. However, there was challenge from some Workgroup Members as to whether costs later in the year were unforeseen given that Covid has been prevalent and increasing since March 2020 and that market participants already account for risk and volatility in BSUoS.

The ESO therefore was not supportive that consumers should see increased costs of the ESO financing the full potential up to £500m of Covid costs, and that there should be a split of this risk between the consumers and market participants.

Some Workgroup members were concerned with the distributional impacts of deferring some BSUoS costs to 2021-22. This is because, assuming the economy recovers, there would be a shift in cost recovery from domestic to Industrial & Commercial (I&C). Some Workgroup members did not believe such a shift was appropriate as I&C customers would not have been running during the Covid event. However, one Workgroup member observed it was the low level of I&C demand that was the cause of the abnormally low system demand being seen and it was in line with TCR SCR principles that these users should contribute towards these costs of maintaining a stable system available to them whilst they were not taking power from it. Alternative solutions were tabled to seek to address the distributional impacts by ensuring that the cost recovery is carried out later in the 2020-21 Charging Year (and not deferred, for example, to 2021/22) or to offer extended payment terms rather than distributing costs.

It was also noted that there was no certainty that the demand situation next year would be different, for example were there to be further waves of Covid infections. Moving the additional costs into the following year may therefore add to a problem next year, though this could be mitigated by the way the funds are recouped.

Conversely, some Suppliers on the Workgroup argued that delaying the Covid related costs to 2021/22 Charging Year would mitigate their losses associated with the additional BSUoS costs but not eliminate these. Therefore, a Workgroup member from the Supplier community argued that the deferral should be delayed to the 2022/2023 Charging Year rather than 2021/2022 Charging Year to provide additional mitigation by allowing time to adjust prices to customers.

It was argued by some that Consumers would see increased costs from deferring charges to the 2021/22 Charging Year. However, other Workgroup Members argued that supporting market participants and minimising the risk of supplier failures would help consumers.

The ESO noted that due to the financial impacts noted in the “Summary of Financial Impacts on ESO” section, that they would not be able to provide finance outside of the current financial year.

Workgroup Consultation question: Do you think any deferral of Covid costs should be i) within the 2020/2021 Charging Year only, ii) deferred to the 2021/2022 Charging Year or iii) deferred to 2022/2023 Charging Year or iv) deferred equally across the 2021/2022 and 2022/2023 Charging Years? Please provide rationale to support your response.

Smear these costs across all BSUOS Payers over the whole 2021/2022 charging year

The Proposer argued that it is reasonable to socialise these Covid costs only across a wider group of Users. Furthermore, he noted that applying the Covid costs equally across the whole of 2021/22 would mean a cost of ~ £29K[4] for each settlement period in the year and:

- Reflect the wider societal nature of the unprecedented Covid event that the ~ £500M costs relates to; and
- Remove the risk of avoidance / gaming.

The Proposer said it has been suggested that the deferred Covid costs should be targeted to the equivalent Settlement Periods in 2021/22. The Proposer believed that this increases the cost for each settlement period to ~ £250K [5]rather than ~ £29K (if applied equally over the whole year) opens up the possibility of avoidance / gaming and another Workgroup member added that this does not address the distributional impacts of moving the costs to later Charging Years. There was also a concern that there was a risk that the payback could lead to settlement periods with negative BSUoS depending on how BSUoS out-turned over the recovery period.

Workgroup Consultation question: Do you consider it appropriate to smear the entire deferred Covid costs equally across the whole of a Charging Year e.g. 2021/2022 or target the deferred Covid costs to the equivalent Settlement Periods in 2020/21 in which Covid costs arose? If the charge was to be applied equally across a Charging Year should that be on a per Settlement period only basis or on a per MWh basis? Please provide rationale to support your response.

[4] Assuming that the Covid costs are up to the £500M cap – they may out turn lower that this, leading to a lower £/ settlement period cost.

[5] Proposer View: Based on recovering £500M over less than 2,000 settlement periods (ESO say need is for less than 35% of the four months – weekends & overnights mainly). Equates to an average £250k per settlement period, some much higher than that.

Hard code a cap of £500m into CUSC

The Proposer is suggesting that the deferred amount for the '*Covid Additional System Management Costs*' should be capped at £500M. This is based on the forecast costs provided by the ESO in their BSUoS forecast of 15 May 2020.

The £500m consists of:

- £427M for the additional new service costs and actions in the Balancing Mechanism (the latter being where the majority of costs are expected) - £58M in May, £117M in June £119M in July and £133M in August) as identified by the ESO; and
- £73m which the Proposer attributes to the demand suppression effects in terms of transmission system management costs that are over and above the additional new service costs (£427M).

The Workgroup agreed that the ~£500m was a forecast and some Workgroup Members expressed their concern over hard-coding a number based on a forecast into the CUSC. A member of staff familiar with the ESO's forecast attended the Workgroup to explain the variables in the forecast that were most likely to change the outcome, which were weather and demand. Some of the proposed alternative solutions contemplate a number lower than £500m and some suggested it would be simpler to clearly set out criteria/process instead and avoid a further Modification to change the £500m number in CUSC especially given the uncertainty around current BSUoS forecasts.

The ESO noted that in order for it to agree financing as a result of this modification, there would need to be a clear cap to the level of support it was providing.

Workgroup Consultation question: Do you consider it appropriate to codify a capped figure for the Covid costs to be deferred? If so, based on the information available, what value do you believe it should be? Please provide rationale to support your response.

Covers Covid related BSUoS costs incurred from 1 May 2020 to 31 August 2020

The Proposer noted that this solution only covers costs to 31 August 2020 and added that post 1 September 2020, such costs could not be foreseen at this time. The Proposer added that if parties consider that 31 August 2020 is too soon, they could bring forward alternatives to extend this date out or raise a separate Modification.

There are a number of proposed alternative solutions which seek not to include a "Sunset Clause" or extend out the application of some form of relief beyond 31 August 2020, notably on the alternative options where parties are given more time to pay their BSUoS changes.

Workgroup Consultation question: Do you agree that the period to be covered for deferral of Covid costs should be limited to those incurred up to 31 August 2020?

Implementation Date 23 June 2020 / Backdate Effective Date to 1 May 2020

The Proposer has suggested that retrospectivity should be applied. Whilst this is ultimately an Ofgem decision, some Workgroup members expressed some concerns with such treatment as parties trading in May since the ESO's forecast will have included the higher BSUoS costs. It was noted that those trading prompt products would have foreseen and factored in BSUoS costs, so to repay them BSUoS may create windfall profits. Embedded generators have also been paid their embedded benefits and suppliers would have to seek to reclaim these, which may not be possible.

The ESO clarified that Ofgem's decision would be needed by 23 June 2020 (22 June 2020 is decision date as per current agreed timeline) to allow backdating to 1 June 2020. This is because the SF run for June's BSUoS charges[6] is on 24 June 2020. The ESO noted that the Interim Initial (II) run[7] would be sent to BSUoS parties on 9 June 2020, but this wouldn't include the removal of the additional Covid costs as CMP345 would still be under consideration.

The ESO added that that this would only cover Covid costs from 1 June 2020. A separate credit note reconciliation process would be needed for Covid costs from 1 May 2020 to 31 May 2020. The Workgroup suggested a credit note reconciliation process would be the simplest way of achieving this. However other Workgroup Members were concerned about the potential windfall benefit of such a reimbursement and the ESO was uncomfortable about the complexity of this process,

The ESO argued that this would likely need to be an offline calculation - this inherently means that it would be a time-consuming and a potentially error-prone process for the ESO in short timescales where resource is already under increased pressure due to Covid impacts.

The ESO was also concerned about the benefits of doing this as, to date, all BSUoS liable users have continued to meet their payment obligations through the Covid period, and therefore the requirement for backward looking financial support is not clear. Some Workgroup Members stated their understanding was that the intention in the Original proposal was to facilitate the recovery of the additional BSUoS costs, rather than to facilitate BSUoS payment obligations.

Potential options

The Workgroup discussed a number of potential alternative solutions for CMP345, these are:

Within Year Cost Deferral

What: Defer £62.5m a month of BSUoS costs, as a proxy for Covid related costs from 1 June to 30 September 2020 to offer an overall level of support of £250m.

How: There will be a fixed variation on the Original where £62.5m of BSUoS costs will be deferred per month, between June and September 2020. This would be done on an equal basis per settlement day. The overall support from the ESO will therefore be £250m. These deferred costs will be charged back to BSUoS users by allocating the £250m, plus the costs of the ESO providing this support, equally across all settlement periods from October 2020 to January 2021. The ESO would require written assurance from Ofgem that any bad debt and net scheme costs can be recovered through suitable regulatory mechanisms in 2021/22.

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[6] This the 1st stage of Final Settlement of a party's BSUoS charges

[7] BSUoS is not invoiced against the Interim Initial (II) run

There would be no requirement to provide additional security on the Covid related costs recovered through higher charges between October 2020 and January 2021. The ESO believes that the cash flow benefits of deferring charges for four months would be significantly reduced where users would be required to provide short term additional security cover as cash.

Impacts:

The ESO believes that this option is better than the Original as:

- BSUoS liable parties will be very clear on the amount of support being provided per settlement period and will be able to account for this;
- This option would be easier to implement than the original as specific Covid actions would not need to be identified (which would not be possible in all instances, especially Balancing Mechanism actions) and the ESO would not need a manual process to back date to May; and
- This option allows fairer sharing of Covid costs between the consumer and industry.

The ESO is of the view that this option is more beneficial to consumers than the original as:

- It is simple and more cost efficient. There wouldn't be a significant cost associated with a new, manual process to calculate the Covid costs due to the simple value being removed from all settlement periods between June and September. This is counter to the complexity of the Original proposal;
- It would pass through less costs to consumers due to the repayment of deferred costs being within the same financial year, therefore, the period of interest being accrued is less and the value of support is lower than the Original; and
- Costs already billed and accounted for in May would not be changed, which may have caused some distortions as parties did not know of the support available.

Some Workgroup Members raised concerns on the £250m cap proposed as they would not be able to recover their Covid related excess costs which was at the core of the defect identified in the Original. The Proposer noted that it would not fully address the cost recovery aspects of the Original, which, in their opinion, was a core element of the defect.

Cost Deferral to 2022/2023

What: As per the Original, but defer the additional BSUoS costs arising from Covid (~£500m) that are incurred in 2020/21 to 2022/23 or defer half the Covid costs (~£250M) to the 2021/22 Charging Year and the other half to the 2022/23 Charging Year.

How: As per Original – just amend the Charging Year(s) referred to.

Impacts: Greater support for Suppliers and further mitigates the risk of not being able to recover the Covid related costs via retail tariffs given fixed price contracting and price caps. However, this does not address the distributional effects caused by not recovering in the 2020/2021 Charging Year and it would come at an increased cost to the consumer due to interest being incurred over a longer period.

The ESO noted that due to the financial impacts noted in the "Summary of Financial Impacts on ESO" section, that it would not be able to provide finance outside of the current financial year.

Concerns were expressed that no one knows what the future may bring and deferring these costs may add to increased costs that occur from now up to and within those future periods, making future consumers pay yet more.

The credit requirements this year would be low as bills would reduce. However, in the years where the money is recouped, credit would increase as liabilities would be higher. There would be no change to the existing credit requirements set out in the CUSC.

Target Covid costs to specific Settlement Periods

What: As per the Original, but target the deferred Covid costs to the equivalent Settlement Periods in 2021/2022.

How: As per Original but with the costs applied to the corresponding Settlement Periods in 2021/2022.

Impacts: Doing this would target similar users / usage of the system as this year so may be a fairer allocation of costs. The Proposer believed that this increases the cost for each settlement period to ~ £250K[8] rather than ~ £29K (if applying the ~£500M equally over the whole year) opens up the possibility of avoidance / gaming and another Workgroup member added that this does not address the distributional impacts of moving the costs to later Charging years. Some Workgroup Members noted that this would come at an increased cost to the consumer due to interest being incurred over the summer months when BSUoS is generally higher, so may create a similar problem next year.

The ESO noted that due to the financial impacts noted in the "Summary of Financial Impacts on ESO" section, that they would not be able to provide finance outside of the current financial year.

Extended Payment Terms – ESO

What: Offer 5 months / 150 days of extended payment terms for "Covid BSUoS".

How: This is proposing to extend payment terms for users who opt in from 3 days to 150 days (5 months) for "Covid BSUoS" charges in the period between June 2020 and September 2020. "Covid BSUoS" would be fixed ex ante at 30% of full BSUoS charges for each BSUoS liable user, with an absolute cumulative cap on support from the ESO at £300m. The interest rate for users choosing to opt in will be 8.1% as per 6.6.6 of the CUSC, however the ESO will remain cost neutral, make no profit from this, and will return any excess above the costs of implementing the support to consumers through reducing 2021/22 BSUoS charges. The ESO would require written assurance from Ofgem that any bad debt as well as net scheme costs can be recovered through suitable regulatory mechanisms in 2021/22.

For those users who choose to benefit from extended payment terms, there would be no requirement to place additional security with regard to charges for Covid related costs. The ESO believes that the benefit of easing cash flow for users, because of extending payment

[8] Proposer View: Based on recovering £500M over less than 2,000 settlement periods (ESO say need is for less than 35% of the four months – weekends & overnights mainly). Equates to an average £250k per settlement period, some much higher than that

terms, would be significantly reduced where users would be required to provide additional security cover as cash.

Impacts: Some believe this is fair as users will have already accounted for some changes through their forecast and risk premia. Other Workgroup Members noted that this would not address the cost recovery aspects identified in the Original.

The use of the extended payment terms offered by the ESO would not adversely impact the security amounts participants would be expected to provide.

The ESO believes that this option provides support to those BSUoS liable users who need it by giving an additional 5 months to pay 30% of their total BSUoS costs incurred between June and September. The ESO said that fixing the definition of Covid BSUoS ex ante makes this option viable to implement, compared to other options which try to identify the costs for specific Covid actions the ESO needs to undertake.

The ESO noted that the use of 8.1% interest rate is aligned with the interest figure already available through the CUSC and would ensure that there isn't a competitive advantage for users choosing to opt into this scheme for the purpose of utilising the ESO's access to potentially lower credit than their own, rather than those who are facing difficulty due to Covid.

The ESO said that the level of 8.1% is supported by the range of funding levels within the industry and is in line with Competition and Markets Authority's published[9] weighted average cost of capital (WACC) rates in 2015. Costs already billed and accounted for in May 2020 would not be changed, which may have caused some distortions as parties did not know of the support available.

The ESO is of the view that this option would be more beneficial to consumers as the administration costs of this option will be lower due to;

1. Lower financing costs as support will be restricted to a single financial year;
2. Easier management of the support as no manipulation of the BSUoS charging methodology is required;
3. The value of support being lower than the Original due to a fairer sharing of risk between ESO and the industry; and
4. The scheme targeting support to those users who need it and cannot obtain financial support at rates lower than 8.1%

The ESO believes that this proposal will provide the required relief to BSUoS liable parties who may be facing cash flow difficulties due to Covid, whilst not providing a distortive benefit to all other BSUoS liable users by reducing their overall liabilities for the costs incurred through June to September 2020.

Some Workgroup members raised concerns on the £300m cap proposed as they would not be able to recover their Covid related excess costs which was at the core of the defect identified in the Original.

A Workgroup member noted there was also an incentive to opt-in in case the cap was hit quickly. Some felt that the interest rate was also penal and should instead be cost reflective.

[9] https://assets.publishing.service.gov.uk/media/559fb6ce40f0b61567000049/Appendix_10.4_The_cost_of_capital.pdf

There was some concern also that the level of the interest rate proposed as the repayment of over recovery would flow back to a different set of users to those who had paid the initial interest cost.

Extended Payment Terms – Other

What: Defer the Covid costs within the 2020/21 Charging Year by allowing an option for a Payment Holiday for up to 6 months for any identified Covid cost.

How: A standard BSUoS tariff is calculated to recover standard costs and a "Covid BSUoS tariff" is calculated to recover the cost of Covid related activities. The ESO will issue the invoice in line with current procedure; however, the payment terms for the two tariffs are different. The standard BSUoS amount would be due under the current timescales. The Covid BSUoS amount can either be paid as normal, or after a payment holiday of 6 months, in which case the amount owed will include interest so that would be a decision for the liable party to weigh up. This would be backdated to 1 June 2020.

There would be increased BSUoS security requirements on all to cover the full cost of the BSUoS invoice.

Impacts: Provides support to those parties who are struggling to meet their BSUoS costs. but would not address the cost recovery aspects identified in the Original.

Baseline charging structure is preserved and there is no shifting of cost recovery between different types of party (i.e. domestic vs I&C).

Since the "Covid BSUoS tariff" is calculated on the volumes in the relevant Settlement Period, there is no risk of gaming.

There are also lower impacts on ESO as its financial exposure is reduced if BSUoS parties manage to pay on time and billing system impacts will be less than other options as only 1 invoice needs to be issued. However, there would remain an administrative burden on ESO to identify Covid costs.

The interest should be reflective of the cost to the ESO, to allow the industry as a whole to make economically efficient decisions and reduce end cost to the consumer.

Some Workgroup Members with this option as they would not be able to recover their Covid related excess costs which, in their opinion, was at the core of the defect identified in the Original.

BSUoS price cap

What: Set a BSUoS price cap of £X/MWh based on historic extreme prices.

How: A BSUoS price cap of £X/MWh based on historic extreme prices. Any BSUoS prices which would ordinarily be set above this with the existing methodology will be capped and the associated under recovery of costs will be deferred to next year. This would move the cost of unpredictably high BSUoS prices to next year.

This could be recovered in a number of ways e.g. all year, by day, £/MWh?

Impacts: This approach would address extreme high prices, but not necessarily a higher number of instances of less extreme high prices. However, it is seen as a compromise solution whereby the risks, costs and benefits of the proposal are spread out across the industry parties and the ESO.

It should also be more predictable for industry participants going forwards through 2020/21 charging year, as the Original solution would make forecasting BSUoS in real-time more complicated as it creates uncertainty over how much cost will be identified and backed out. A cap gives a set figure for industry participants to factor into their BSUoS forecasting and risk management processes. The ESO would need to confirm and report on how much had been deferred on a regular basis so that parties could assess the likely impact on next year’s prices. The ESO is concerned over the practicalities of implementing this option due to the need to interrupt the BSUoS data processing, manipulating the data (in accordance with the approach) and then reinserting this manipulated data back into the process. In addition, the ESO noted that an absolute cap on financial support from the ESO and recovery within the financial year would be required by the ESO.

Some suppliers had the same concerns about this not giving them time to feed the higher prices into consumer prices.

Daily rolling average calculation for BSUoS

What: Rolling average calculation for BSUoS that fixes BSUoS charges for the day ahead and smooths any actual cost differentials over the remainder of the charging year.

How: Balancing Costs incurred in a charging year should be charged to system users within a charging year. The proposed solution is to create **DRAB – Daily Rolling Adjusted BSUoS**. The same £/MWh charge would be applied to all MWh in all settlement periods in a day. The charge would be adjusted on a daily basis, taking account of:

1. An updated forecast of total BSUoS costs for the remainder of the charging year;
2. Forecast demand from the transmission system for the remainder of the charging year; and
3. Any over or under recovery of BSUoS charges during the charging year up to that day.

There would be no exceptional credit requirements. Credit for BSUoS charges due would remain as now, with the possible advantage compared with the status quo that credit requirements would be more stable over time reflecting the reduced volatility of BSUoS charges invoiced to market participants

Impacts: BSUoS on a half hourly basis is highly volatile and difficult to predict. The first BSUoS Task Force concluded that it was not practical to charge it cost reflectively and BSUoS should be treated as cost recovery. There are benefits to all market participants of making it less volatile and more predictable as evidenced by Ofgem creating the second BSUoS Task Force. Therefore, some Workgroup members believed that this option would provide:

- Greater certainty for wholesale and supplier pricing;
- Smoothed pass through of unusual events giving rise to exceptional balancing charges;
- Minimised risk to the ESO of carrying unpaid BSUoS costs between years;
- Negligible unpaid BSUoS costs at the end of a charging year;
- Minimal opportunity for short term gaming; and

- Avoidance of a vicious circle where low [overnight] demand leads to high BSUoS charges and leads to a perverse incentive for demand to reduce.

However, some Workgroup members raised concerns that this strayed too far into the areas that the 2nd BSUoS taskforce is looking into and said it alters how BSUoS is calculated. Some also felt it to be complex and ESO thought it may not be implementable in the tight timescales e.g. the changes to ESO Billing Systems. Others felt that this was a sensible improvement that did address the concerns over the current high and volatile BSUoS charges. It was noted that Ofgem had paused the BSUoS Task Force, so this may provide an interim solution on the way to a more permanent resolution of the many BSUoS issues.

Some Workgroup members noted that it would not fully reflect the cost recovery aspects of the Original.

Workgroup Consultation question: **Do you think the impact of the Covid pandemic on BSUoS is sufficient to justify a different approach to charging BSUoS in advance of the second BSUoS Taskforce completing its work? Bearing in mind the short timescale for implementation do you agree with the approach in the option outlined above? Please provide a rationale with your response.**

Summary of Financial Impacts on ESO

The accounting treatment depends on how and when the BSUoS costs are recovered. The four options are:

Defer the recovery to Settlement Final billing 2021/2022. This effectively changes tariffs for 2021/2022 charging year. The ESO could not accrue revenue associated with Covid costs in Financial Year (FY) 20/21 because the tariffs for next year relate to services provided in FY21/22. The ESO would report a £500m loss in FY20/21, which would reverse into a reported profit in FY21/22. (as a £500M profit).

Defer costs to Reconciliation Final billing – Reconciliation Final billing is a true up of FY20/21 revenues. Since this is a reconciliation of revenues for 2020/2021 the ESO could accrue the revenue in FY20/21. There would be no impact on reported profit in FY20/21 or FY21/22. There would be no ESO profit/loss impact in FY20/21 or FY21/22.

Defer within year - This would involve adjustments to current year tariffs with no full year profit reporting impact for ESO. This would involve adjustments to current year tariffs with no full year profit/loss impact for the ESO.

Extending payment terms - All transactions treated as FY20/21 revenue and costs, as invoices continue to be raised within normal billing period, albeit some with extended payment terms. This would result in no profit reporting impact. This would result in a no ESO profit/loss impact.

VAT Treatment - In the deferral options, the VAT treatment will need to be discussed and agreed with HMRC, but ESO thought a resolution could be found. The ESO will reclaim input VAT for costs incurred but output VAT would not be paid over in the correct timescales as costs may not be charged out until future years. The extended payment terms option should see VAT accounted for in the correct timescales, but VAT cash out flow is suffered by ESO until paid at a later date by Suppliers and Generators.

Cashflow – All options have a significant impact on the ESO cash flow and would require the ESO to source additional external credit facilities.

Bad Debt –The ESO currently has no formal mechanism through its licence or CUSC for recovery of BSUoS bad debt. The ESO is working with Ofgem to agree such a mutualisation mechanism for recovery of RIIO1 bad debt and to put in place a formal mechanism for RIIO2. ESO would need to seek written assurance from Ofgem that any bad debt incurred, after following appropriate credit procedures, under any of these proposals would be fully recoverable, and within the next financial year 2021/22.

ESO Financing Costs – The Workgroup asked ESO what interest it would expect to be charged for its financing costs associated with the management of the Covid Account. The ESO is still in discussions over its actual interest rate and will engage with Ofgem on the total cost to it. Under the Extended Payment Terms – ESO option, the ESO's starting point for interest is the Prescribed Rate as set out in CUSC 6.6.6[10]. This is 8.1% as this is aligned with an interest figure already available through the CUSC and would ensure that there isn't a competitive advantage for users choosing to opt into this scheme for the purpose of utilising the ESO's access to potentially lower credit than their own, rather than those who are facing difficulty due to Covid. The ESO said the level of 8.1% is supported by the range of funding levels within the industry and is in line with Competition and Markets Authority's published[11] weighted average cost of capital (WACC) rates in 2015.

The ESO said it would remain cost neutral, make no profit from this, and would return any excess above the costs of implementing the support to consumers through reducing 2021/22 BSUoS charges. Some Workgroup Members were concerned that this was a penal rate for late payments and therefore would be too high for someone who has opted to take a payment holiday.

The Proposer noted for the Original that he is suggesting that any ESO financing cost would be based on the cost of capital / cost of the (£500m) loan as approved by the Authority as being reasonable, efficient and proportionate.

The Workgroup sought to set out how the interest would be charged and recovered for each potential solution.

Option	Financing Cost	Financing Recovery
Original	Interest costs incurred by the ESO (and agreed by the Authority)	Recovered equally across settlement periods in 2021/22
Within Year Cost Deferral	Interest costs incurred by the ESO (and agreed by the Authority)	Recovered equally across settlement periods October 2020 – January 2021

[10] CUSC 6.6.6 states:

"Subject to Section 4, if any CUSC Party fails to pay on the due date any amount properly due under the CUSC or any Bilateral Agreement such CUSC Party shall pay to the CUSC Party to whom such amount is due interest on such overdue amount from and including the date of such failure to (but excluding) the date of actual payment (as well after as before judgement) at the Prescribed Rate. Interest shall accrue from day to day."

"Prescribed Rate" is set out in CUSC Section 11 and is "the rate of interest set for the relevant period as the statutory interest rate for the purposes of the Late Payment of Commercial Debts (interest) Act 1998";

[11] https://assets.publishing.service.gov.uk/media/559fb6ce40f0b61567000049/Appendix_10.4_The_cost_of_capital.pdf

Cost Deferral to 2022/2023	Interest costs incurred by the ESO (and agreed by the Authority)	Recovered equally across settlement periods in 2022/23
Target Covid costs to specific Settlement Periods	Interest costs incurred by the ESO (and agreed by the Authority)	Recovered equally across settlement periods May 2021 – August 2021
Extended Payment Terms – Other	Interest costs incurred by the ESO (and agreed by the Authority)	Recovered from each supplier as interest on extended credit terms.
Extended Payment Terms – ESO	Interest charged at 8.1% as per CUSC 6.6.6	Any excess interest above the costs of implementing the support to consumers, returned through reducing 2021/22 BSUoS charges.
BSUoS price cap	Not Specified	Not Specified
Daily rolling average calculation for BSUoS	Interest costs incurred by the ESO (and agreed by the Authority)	Recovered within 2020/21

Workgroup Consultation question: Do you agree with the financing options set out above. Is there another way? Please provide rationale to support your response.

Other Wider Considerations

The Workgroup noted a number of wider areas that industry respondents may need to consider when assessing the merits of the proposed solutions:

- Delay in Contracts for Difference Payments;
- Any other industry support being offered because of the COVID pandemic
- The work of the 2nd BSUoS Taskforce;
- Future government[12] policy on Covid including whether there would be a second or third Covid wave. Impacts here are difficult to quantify so wouldn't be factored into the scope of CMP345;
- Holistic support available to business, such as emergency loans, government support etc.; and
- Embedded Benefit impacts under CMP333. Were the Authority to approve this modification then options that defer repayment of Covid costs unto future years would remove an embedded benefit from those parties that benefit this year.

Draft Legal text

The Proposer has identified some indicative legal text in their CMP345 Modification Proposal (see Annex 1 of this Workgroup Consultation). This will need to be clarified in light of the Proposed Business Rules set out in Annex 5 of this Workgroup Consultation.

For all other alternative solutions, the legal text will be developed if options carried forward.

[12] Noting that there are different arrangements in England, Wales and Scotland.

What is the impact of this change?

Who will it impact?

Given the urgency of this Modification proposal, the Workgroup did not carry out any analysis on the positive/negative impacts on different parties. However, the Workgroup discussed a number of potential impacts on different types of parties**.**

Generators

This modification will impact parties who pay BSUoS or receive an embedded benefit.

CMP345 will impact Generators as without it they may not able to recover the extra costs where they have forward trading ahead of cost forecasts. It was noted by some Workgroup Members that this may not be the case for all Generators e.g. CMP345 risks creating windfall profits for those who have factored the extra BSUoS costs into prices and will now have their costs deferred/reduced.

Some Workgroup members also believed this may result in adverse security of electricity supply implications The Proposer argued that if generators go out of business there is less competition in the market but also the services they provide e.g. inertia, voltage and footroom, would be lost leading to security of supply concerns – this view on security of supply concerns and generators going out of business was not shared by other Workgroup Members.

Embedded generators may see lower embedded benefits, depending on their operating regime. This could have a material impact on their income, depending on their sales strategy, as the wholesale power prices are now very low. Were the modification implementation to be retrospective, these companies could also have banked and spent their benefits, so they may struggle to hand back the money they would now owe. However, this viewpoint was not supported by all Workgroup members who noted that the bulk of the forecasted BSUoS in 2020/21 (~£1,500M) would still be paid as would have been expected by embedded generators pre Covid.

Suppliers

CMP345 will also impact Suppliers, as they as they may currently be unable to recover the additional costs via retail tariffs (due to a combination of fixed term supply contracts and constraints of the price cap).

The additional costs may also exacerbate the already heightened risk of supplier failures. However, some Workgroup Members suggested that CMP345 will allow Suppliers more time to alter customer tariffs to reduce their exposure to the increasing costs of BSUoS. The alternative options with actions that reduce costs for short periods or delay payments may help them plan for increasing costs over a different period, but may not give them enough time to recover the costs from end user tariffs.

Some Workgroup Members expressed a view that deferring costs or extending payment terms does not stop companies failing – it may just alter the time when they fail. If a number of deferred costs are all recovered at a similar time, there may be a larger number of defaults and this could create a waterfall effect due to the mutualisation arrangements across the market. Some parties may believe that if businesses are going to fail (and market exit is an attribute of a competitive market) then the sooner they do so the less the debts that will be spread to other market participants.

Consumers

For consumers there is a mixed impact.

The Proposer believes that CMP345 will have a positive impact on some consumers, mainly domestic customers, as it ensures that the BSUoS effects of Covid are recovered in future which avoids undue volatility that impacts on competition and security of supply. However, it was noted by some Workgroup members that there is a Supplier of Last Resort process in place to help mitigate this.

If it is assumed in the future that the demand increases, some of the costs allocated to customers today will be smeared over more volume lowering the unit costs. However, those on fixed price contracts covering a number of years may not be impacted at all.

Customers who are currently not consuming will, under the deferral options, face costs that are related to periods when they were shutdown. As industry and commerce seeks to recover, the higher costs may create issues for them such as their relative competitive position, notably if they are competing in global markets. Furthermore, those currently not consuming or consuming less power i.e. I&C consumers are likely to see higher prices in future as the costs of any financing arrangement will be passed through to consumers. This cost will be different depending on the timeframe over which support is provided, how the cost is recovered in future periods or years and the level of finance being provided.

The ESO argued that Extended Payment options would be more beneficial to consumers as the administration costs of this option will be lower. The ESO also argued that consumers would pay less if any support is recovered over a shorter timeframe and/or that the total amount of support is lower.

ESO

CMP345 introduces additional risk to the ESO in terms of financing any deferred costs. CMP345 would require it to raise finance to support the modification, which has several implications on the ESO depending on which option is chosen as covered in the "Summary of Financial Impacts on ESO" section of this Workgroup Consultation.

Other

Deferring costs creates a risk that at the point the additional costs are being recovered that the same situation will be occurring (high and volatile BSUoS) which may make the future prices even worse.

Workgroup Consultation question: Do you agree with the impacts we have set out in this Workgroup Consultation? Have we missed any impacted parties? Please provide details to support your response.

Proposer's Assessment against Code Objectives

CUSC Charging objectives;

Impact of the modification on the Code objectives:	
Relevant Objective	**Identified impact**
(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;	Positive
(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);	None
(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;	Positive
(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	None
(e) To promote efficiency in the implementation and administration of the CUSC arrangements	None

Proposer's view of CMP345 Original against the CUSC Objectives

- This proposal will be positive in terms of Applicable Objective (a) as it will ensure that BSUoS paying market participants are not adversely impacted by the costs incurred by the ESO to manage the transmission system during the Covid event and thus this will facilitate 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.
- This proposal is neutral in terms of Applicable Objective (b).
- This proposal will be positive in terms of Applicable Objective (c) as it will ensure that the BSUoS methodology properly takes account of the developments in transmission licensees' transmission businesses arising from the unprecedented Covid event.

- This proposal is neutral in terms of Applicable Objective (d).
- This proposal is neutral in terms of Applicable Objective (e).

Standard Workgroup Consultation question: Do you believe that CMP345 Original proposal better facilitates the Applicable CUSC Objectives?

When will this change take place?

Implementation date:

The proposed implementation date is 23 June 2020.

The Proposer has requested that implementation is backdated such that it covers the Covid costs from 1 May 2020 to the Implementation Date.

ESO noted that as long as this is approved by Ofgem by 23 June 2020, this can be backdated to cover the Covid costs that applied from 1 June 2020.

However, a separate credit note reconciliation process would be needed for Covid costs from 1 May 2020 to 31 May 2020.

Standard Workgroup Consultation question: Do you support the implementation approach?

How to respond

Standard Workgroup Consultation questions:

1. Do you believe that CMP345 Original proposal better facilitates the Applicable CUSC Objectives?
2. Do you support the proposed implementation approach?
3. Do you have any other comments?
4. Do you wish to raise a Workgroup Consultation Alternative request for the Workgroup to consider?

Specific Workgroup Consultation questions:

5. Do you believe it is necessary to define Covid related costs for the purposes of BSUoS charging as a result of this Modification proposal? Please provide rationale to support your response.
6. Do you agree with the Original Proposal (and each of the potential alternatives) as to what constitutes Covid related costs? Please provide rationale to support your response.
7. Do you think any deferral of Covid costs should be i) within the 2020/2021 Charging Year only, ii) deferred to the 2021/2022 Charging Year or iii) deferred to 2022/2023 Charging Year or iv) deferred equally across the 2021/2022 and 2022/2023 Charging Years? Please provide rationale to support your response.
8. Do you consider it appropriate to smear the entire deferred Covid costs equally across the whole of a Charging Year e.g. 2021/2022 or target the deferred Covid costs to the equivalent Settlement Periods in 2020/21 in which Covid costs arose? If the charge was to be applied equally across a Charging Year should that be on a per Settlement period only basis or on a per MWh basis? Please provide rationale to support your response
9. Do you consider it appropriate to codify a capped figure for the Covid costs to be deferred? If so, based on the information available, what value do you believe it should be? Please provide rationale to support your response.
10. Do you agree that the period to be covered for deferral of Covid costs should be limited to those incurred up to 31 August 2020?
11. Do you think the impact of the Covid pandemic on BSUoS is sufficient to justify a different approach to charging BSUoS in advance of the second BSUoS Taskforce completing its work? Bearing in mind the short timescale for implementation do you agree with the approach in the option outlined above? Please provide a rationale with your response.
12. Do you agree with the financing options set out above? Is there another way? Please provide rationale to support your response.
13. Do you agree with the impacts we have set out in this Workgroup Consultation? Have we missed any impacted parties? Please provide details to support your response.

The Workgroup is seeking the views of CUSC Users and other interested parties in relation to the issues noted in this document and specifically in response to the questions above.

Please send your response to cusc.team@nationalgrideso.com using the response pro-forma which can be found on the National Grid ESO website via the following link: https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp345-defer

In accordance with Governance Rules if you wish to raise a Workgroup Consultation Alternative Request please fill in the form that can be located at the following link or get in contact with us via email at cusc.team@nationalgrideso.com

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

If you wish to submit a confidential response, please note that information provided in response to this consultation will be published on National Grid ESO's website unless the response is clearly marked "Private & Confidential", we will contact you to establish the extent of the confidentiality. A response marked "Private & Confidential" will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the CUSC Modifications Panel or the industry and may therefore not influence the debate to the same extent as a non-confidential response. Please note an automatic confidentiality disclaimer generated by your IT System will not in itself, mean that your response is treated as if it had been marked "Private and Confidential".

Acronym table and reference material

Acronym	Meaning
BSUoS	Balancing Services Use of System
ESO	Electricity System Operator
FY	Financial Year
I&C	Industrial and Commercial
II	Interim Initial
ODFM	Optional Downward Flexibility Management
RF	Reconciliation Final
SF	Settlement Final
SEL	Stable Export Limit

Reference material:

1. ESO revised BSUoS forecasts – 15 May 2020
2. ESO Covid seminar on 25 March 2020

Annexes

Annex	Information
Annex 1	CMP345 Proposal Form
Annex 2	Terms of Reference
Annex 3	Urgency Letters
Annex 4	Proposer's Presentation on Original and addressing Terms of Reference
Annex 5	Business Rules for Original Proposal