

CUSC Workgroup Consultation Response Proforma**CMP345: 'Defer the additional Covid BSUoS costs'**

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 3 June 2020**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

If you have any queries on the content of this consultation please contact Paul Mullen at paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
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CMP345

For reference the applicable CUSC Charging objectives are:

Relevant Objective
(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) To promote efficiency in the implementation and administration of the CUSC arrangements

Please express your views regarding the Workgroup Consultation in the right-hand side of the table below, including your rationale.

CMP345 - Standard Workgroup Consultation questions		
1	Do you believe that the CMP345 Original Proposal better facilitates the Applicable CUSC Charging Objectives?	<p>Our view is that this is not an issue for the CUSC. Whilst it is clear the situation resulting from the coronavirus pandemic will negatively impact some parties whose long term strategic decisions may have been rendered uneconomic by the resultant market, there has not been an adverse impact on competition within the power markets.</p> <p>If there is a need to support industry participants during this unprecedented period, this is not the mechanism by which to do so. If necessary, direct Government support of affected Suppliers, or another mechanism that does not interfere with the operation of the wholesale market would be more appropriate.</p>
2	Do you support the proposed implementation approach for CMP345?	<p>Any retrospective application should be removed from all proposals because alteration and distortion of cleared market transactions degrades investor confidence in the regulation of UK power markets. Market participants currently make trading decisions based on the available information at their disposal at the time, a retrospective change to this principle undermines the operation of free markets.</p> <p>The proposal sets a worrying precedent; how will further/extended lockdowns be handled? Should a similar event occur next year would the same approach be applied? Furthermore, in the future, how do we define when a situation is truly unexpected and requires different treatment of BSUoS costs? This modification, if implemented, would set a precedent which creates uncertainty and an inefficient signal to market participants</p>
3	Do you have any other comments?	<p>If a proposal to defer BSUoS is approved, we believe cost recovery should occur in the same charging year (i.e. August 2020 – April 2021), and preferably through the Winter contract period (01/10/20 – 31/03/21). Carrying across charging years is an unnecessary cost.</p> <p>It is also important to note that the deferred payment is unlikely to be targeted on the same charging base as those participating through the pandemic-affected period. Therefore, some industry participants would be</p>

		obliged to contribute to costs that they did not accrue (i.e. they were not consuming during the pandemic-affected period), and others may benefit through avoiding deferred costs to which they should contribute. This may be particularly important to industry and commerce with international competitors, who will face higher costs in 2021/22 through no direct actions of their own.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No.
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.	If a proposal to defer costs is approved, we believe it is vital for any pandemic-related costs to be clearly justified and evidenced for inclusion in any deferred amount.
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.	Given the difficulty of untangling whether BM actions were pandemic-related or not, we believe only those actions that were introduced to manage the impact of the pandemic should be included. Namely, costs associated with ODFM, and costs associated with contracts with nuclear power stations.
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.	Within the 2020/21 charging year only. Carrying across years creates unnecessary financing costs that the consumer should not bear.
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	No further comments

	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.	No further comments
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?	No further comments
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.	No further comments
12	Do you agree with the financing options set out above? Is there another way? Please provide rationale to support your response.	No further comments
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.	No further comments

