

CUSC Code Administrator Consultation Response Proforma**CMP345 'Defer the additional Covid -19 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 **3pm on 12 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 Panel.

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

Respondent details	Please enter your details
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For reference the applicable CUSC objectives are:

- 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).*

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

Standard Code Administrator Consultation questions		
1	Do you believe that the CMP345 Original solution, WACM1, WACM2, WACM3, WACM4, WACM5, WACM6, WACM7 or WACM8 better facilitates the Applicable CUSC Objectives?	<p>WACM1 is the fairest and most suitable solution which is cost reflective of the current Covid-19 situation. Deferral of cashflows relating to Covid Costs must be within the 2020/2021 charging year only, under the prevailing charging methodology and payable/receivable amongst participants active during the HH in which costs are incurred.</p> <p>We feel the most suitable and transparent option discussed in the consultation paper is to recover the deferred costs via the RF settlement run for BUSoS payers, giving liable parties a cash flow holiday but fulfilling the cost-reflectivity requirement of objective (b).</p> <p>Any 'smearing of costs' across any period other than the HH settlement period in which the costs are incurred is contradictory to the relevant objective (b) – "cost reflectivity" and therefore we do not consider any other means is either appropriate or necessary. This is particularly relevant for embedded generators who will be losing the BSUoS embedded benefits for the 2021/22 year.</p>
2	Do you support the proposed implementation approach?	<p>We do not agree that any costs should be deferred, only cashflows should be considered for deferral. If a centrally managed method of BSUoS payers deferring their share of additional Covid-19 costs cannot be conceived and if there is a desire or necessity for individual participants to delay the cash settlement for their BSUoS costs this should be discussed with market participants on a case by case basis.</p> <p>Covid related costs must be clearly defined, otherwise the impacts of the modification proposal would be ambiguous. Specific Covid related costs should be separable and quantifiable and apportioned under the existing charging methodology.</p> <p>Whilst WACM1 does not include an end date for support, it would be reasonable to apply the same proposed end date in WACM2, 31 August 2020, as a stop date for the deferral of additional incurred costs.</p>

3	Do you have any other comments?	There are multiple market consequences caused by Covid-19. This includes a collapse in power demand which has lowered wholesale prices, reduced the RoC recycle value and increased costs of balancing for generators due to market volatility. It is therefore important that both costs and benefits are kept within the relevant year ensuring fairness and cost reflectivity.