

CUSC Workgroup Consultation Response Proforma**CMP350: 'Changes to the BSUoS Covid Support Scheme'**

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 27 July 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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CMP350

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.

CMP350 - Standard Workgroup Consultation questions

1	Do you believe that the CMP350 Original Proposal better facilitates the Applicable CUSC Charging Objectives?	<p>We believe it better facilitates relevant objective (a) as the unforecastable high frequency of BSUoS costs currently act to the detriment of competition.</p> <p>We also believe it better facilitates relevant objective (b). The increasing frequency of high costs are largely driven by demand destruction and high embedded renewables output, which currently do not face the burden of these costs. The modification goes some way to ensuring a more equitable sharing of these costs across the industry.</p> <p>It also better facilitates relevant objective (c), in that it is unreasonable to expect a prudent market participant to factor in a such a large increase in the frequency of high costs with no notice. If this level of risk was to be factored in on a routine basis going forward it would lead to a significant negative impact on consumers</p> <p>We believe it is neutral on relevant objectives (d) and (e).</p>
2	Do you support the proposed implementation approach for CMP350?	Yes, we support the proposal. The frequency of high BSUoS costs seen as a result of Covid-19 low demand have had a substantial impact on prudent market participants. Whilst CMP345 was a move in the right direction, it's effect is limited and CMP350 is partially effective in improving on this (noting that substantial unforecastable costs have already been incurred).
3	Do you have any other comments?	No
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No

Specific Workgroup Consultation Questions

5	CMP350 Original proposes introducing a formal limit of £100m to the amount of Covid BSUoS Support Scheme costs which can be deferred. Do you agree that a formal limit of £100m should be introduced?	We believe that the impact of Covid-19 is likely to have a greater than £100m impact on market participants, that could not have reasonably been expected. Ideally no cap would be in place, however the necessity to ensure the deferment can be financed is acknowledged
6	The ESO has included some initial thoughts on how the	The proposed process seems reasonable and it is acknowledged that there will be some uncertainty as to

	process would work when the £100m Cap is being approached and when it is reached. Do you agree with this approach? Please provide the rationale for your response	when the cap will be reached (as there is to the level of BSUoS itself as well)!
7	CMP345 introduced a £15/MWh cap for BSUoS. The CMP350 Original proposes to revise this cap to £5/MWh due to the increased frequency of BSUoS costs above £5/MWh. Do you think it is appropriate to revise the cap for BSUoS to below £15/MWh and if so to what value? Please provide the rationale for your response including any supporting analysis	It is appropriate to lower the cap from £15/MWh, as at the level the modification has only limited impact in reducing the unforecastable impact of Covid-19 on balancing costs. The setting of a cap will always require a level of subjectivity, and £5/MWh seems reasonable given the aim to reduce the exposure to unforeseeable frequency in high BSUoS costs. Occurrences of BSUoS above £5/MWh have a material impact on market participants, and so far, this summer has seen the rate at which BSUoS exceeds this level more than double. It is unreasonable to expect any prudent market participants to have reasonably expected such an increase in frequency in high BSUoS costs.
8	The Covid BSUoS support scheme introduced by CMP345 expires on 31 August 2020. The CMP350 Original proposes extending the expiry date to 30 September 2020 and a Workgroup Member has proposed extending this further to 25 October 2020. Do you think it is appropriate to extend the Covid BSUoS support scheme introduced by CMP345 and if so, to what date? Please provide the rationale for your response	Yes, we believe it is appropriate to extend the modification, ideally to the point where increased covid related costs reduce to non-material level. The ESOs June forecast highlighted an expected material increase in September, so we would suggest the proposal is extended to then at least. Given the £100m cap however, and the inherent uncertainty in forecasting when the exceptionally high BSUoS costs will cease, we believe placing an arbitrary deadline is unnecessary and it is better to rely on the monetary cap in isolation.