Workgroup Consultation Response – Pro-Forma

CMP308: Removal of BSUoS charges from Generation

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 **8 May 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 CUSC Modifications Panel when it makes its final determination.

These responses will be included in the Final CUSC Modification Report which is submitted to the CUSC Modifications Panel.

Respondent:	*Kirsty Ingham kirsty.ingham@esb.ie* *Kamila Nugumanova kamila.nugumanova@esb.ie*
Company Name:	***ESB (Generation and Trading)***
Do you believe that the proposed original or any of the alternatives better facilitate the Applicable CUSC Objectives? Please include your reasoning.	We believe that CMP308 proposal better facilitates the following applicable relevant CUSC objectives: (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; The proposal aligns the current domestic charging regime with that of the interconnected EU markets, thus facilitating a level playing field and ensuring fair treatment of domestic generation vis-à-vis increasing Interconnector capacity. Removing BSUoS from generation will also enable fair and effective competition within the GB market by reducing distortions between Transmission connected and distributed generators. (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*; Implementation of CMP308 will facilitate compliance with domestic and EU legislation, one of the key principles of which is

	the removal of distortions among industry participants and improving competition. (e) Promoting efficiency in the implementation and administration of the CUSC arrangements. We agree that this charge will lead to a simplified charging framework resulting in better administration of the CUSC arrangements.
Do you support the proposed implementation approach? If not, please state why and provide an alternative suggestion where possible.	We agree that sufficient implementation lead time should be provided. We believe that a two year implementation period suggested in the modification is sufficient in order to allow industry parties to update IT, trading and billing systems, as well as to reflect the change in their commercial and business practices.
Do you have any other comments?	
Do you feel it is more efficient for BSUoS to be handled by customers / suppliers rather than customers / suppliers and generators?	Yes, we believe Suppliers are better placed to handle the recovery of BSUoS charge due to their experience in dealing with both ex-ante and ex-post charges. Suppliers already have systems to cope with reconciliations and ex-post recovery of volatile charges. We do, however, agree that the current BSUoS element of the Price Cap methodology may need to be revised to avoid creating a lag period in supplier tariff updates and cash flows.
If CMP308 were to be implemented, what would your thoughts be in regards to combined/net risk premia?	We believe that under the current charging arrangements, the volatility of BSUoS on a half-hourly basis and exposure in any given settlement period is equally or more relevant than the average BSUoS price. As a result, due to an inability to predict BSUoS accurately, generators are likely to build in risk premia which feed into the wholesale price as well as bids and offers into other service provisions, such as CM auction bids and BS tender submissions. In our view, the combined risk premia associated with the current volatility and unpredictability of BSUoS will be significantly reduced following the implementation of CMP308. This is likely to result in a lower wholesale price as well as a lower clearing price for the delivery of BM, BS and CM services leading to a reduction in the total pass-through to end consumers.

What do you feel would be a sufficient lead time for the implementation of this modification? Would you support a non-April (i.e. October) implementation date in any given year? Please provide an explanation for your response	As previously stated, we believe that a two-year lead time would be sufficient for the implementation of this proposal. We would support a non-April implementation in any given year.
Has the Analysis comprehensively considered consumer/system benefits, or can you identify any area which may need more consideration by the workgroup?	Yes, we agree that the analysis carried out by the WG gives sufficient consideration to consumer and system benefits.
Are there any thoughts on the impact of CMP308 on the generation mix, be that short or long term? Will there be any significant IT costs to change your systems as a result of CMP308? If so please give detail.	We believe that this proposal will have a positive impact on the investment climate and financing decisions for new generation capacity in GB. Firstly, the removal of this highly volatile charge will enable more RES, such as onshore and offshore wind to become more competitive. In addition, participation in the CM with its forecasted clearing prices is likely to become marginally more attractive to new build generation as a result of a likely change in the average cost base of generation assets. More intermittent generation will be able to participate in BS and BM services without the risk of being exposed to high BSUoS charges in any given period. This should improve overall competitiveness of Transmission connected intermittent generation. Lastly, a marginal increase in the BSUoS demand charge will encourage more behind-the-meter generation and flexible technologies. Overall, we consider the impact to be positive on all generation technologies. We have not been able to quantify the IT costs for us to change the system as a result of implementation of CMP308, but do not currently consider that they would be significant.
Are there any unintended consequences of CMP308 which have not as yet been	No, we believe the group has considered all of the impacts of the proposal.

considered by the workgroup?	
Will there be any specific impact on renewable or distributed generation, be that long or short term?	See above
Will there be any significant IT costs to change your systems as a result of CMP308? If so please give detail.	We have not been able to quantify the IT costs for us to change the system as a result of implementation of CMP308, but do not currently consider that they would be significant.