

Workgroup Consultation Response Proforma**CMP373 'Deferral of BSUoS billing error adjustment'**

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 **12pm on 4 May 2021**. 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 paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
Respondent name:	Paul Jones
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I wish my response to be:

(Please mark the relevant box)

☒ Non-Confidential☐ Confidential

Note: A confidential response will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel, the Workgroup or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

For reference the Applicable CUSC (charging) Objectives are:

- 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;*
- 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);*
- 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;*
- Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency; and*
- Promoting efficiency in the implementation and administration of the system charging methodology.*

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

Standard Workgroup Consultation questions		
1	Do you believe that the CMP373 Original Proposal better facilitates the Applicable Objectives?	<p>On balance no. We share the concern of other industry parties about these costs having been missed and only recently coming to light. We also believe it was correct to raise CMP373 to explore the issue and assess if there is a better way to recover the shortfall. However, on further consideration we feel the proposal would not be better than the baseline approach of recovering the costs in the RF run.</p> <p>The size of the error appears to be modest compared with the normal magnitude of BSUoS and the degree of volatility parties experience. For instance, it represents around a 1.7% change on the annual cost in 2020/21. Even if the percentage error is calculated over the period during which the costs were originally missed, it represents a 3.9% increase on the previous level.</p> <p>We understand why it may be desirable to push the costs into the following year's charges, particularly from the perspective of suppliers who wish to recover costs from customers, but this will essentially change the levels of costs different parties will be exposed to, benefitting some parties and harming others. We believe that will undermine competition.</p> <p>Trading errors sometimes occur and indeed the Balancing and Settlement Code provides a trading disputes process to allow for settlement errors to be addressed. To the best of our knowledge, these are always corrected in respect of the period in which they occur rather than moving the impact to different periods and parties.</p> <p>We also appreciate that this may cause some difficulty in respect of the price caps. However, we believe that this specific impact is likely to be limited. Just under £17m will be recovered from the supply market and the price cap will only affect a further subset of this, so the overall impact is likely to be modest overall. However, we have not seen any numbers on the proportion of the retail</p>

		market covered by the price cap, so it is difficult to assess an exact value.
2	Do you support the proposed implementation approach?	We do not support implementation of the modification.
3	Do you have any other comments?	No thank you.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No thank you.
Modification Specific Workgroup Consultation questions		
5	Do you believe that it is more appropriate to recover the £33,163,790.21 of trading costs in the FY 2021/2022 Settlement Final (SF) Run? Please provide the rationale for your response?	No, on balance we believe they should be recovered in the RF run as provided under the baseline.
6	Do you think that it is more important to socialise the costs across users in FY 2021/2022 or to correctly target the liable users when the costs were incurred using the RF run? If not socialised do you have a proposal for how the Default Tariff Cap calculations would work? Please provide the rationale for your response.	We believe that it is more appropriate to recover costs in the same manner that they would have been had the error not taken place. Otherwise, parties will be exposed to different costs on a largely arbitrary basis. Some will benefit while others won't, but the end result will be unfair treatment of those who face additional costs. We do not have experience of the Default Tariff Cap calculations, so are not in a position to comment on how these would work. However, if they do not allow pass through of the additional costs, as we mention in our response to question 1, we believe the impact is likely to be relatively modest.
7	Do you believe that the costs should be recovered from 1 October 2021 to 31 March 2022 (as per	If the modification was to be implemented, we believe recovery should be over as long a period within the 2021/22 charging year as possible, to limit the £/MWh impact. Therefore, we would be more supportive of the proposed approach to recover over the period 1 June to

	<p>Original proposal) or 1 June 2021 to 31 March 2022 or using the default of the RF runs? Please provide the rationale for your response.</p>	<p>31 March. If cost recovery is moved into a subsequent charging year, there is no rationale for targeting the costs in a specific manner. The focus should be on recovering costs in the least distortive manner, which would suggest spreading the cost over the longest period possible to minimise the impact on specific days and periods.</p>
8	<p>Will the CMP373 Original Proposal or any of the potential alternative solutions impact your business and/or end consumers. If so, how?</p>	<p>Yes. As a generator it's unlikely we will be able to recover the additional costs we are charged regardless of whether the modification is implemented or not. The proposed CMP373 approach is likely to expose us to more cost than would have been the case had the costs been recovered correctly in the first place. This is because we had plant on outage during the period concerned in 2020/21, which would now be exposed to costs that we wouldn't have been liable for if the error had not been made. If the costs are recovered in the RF run as proposed by NGESO, then will be charged correctly for 2020/21.</p>