

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:	Jenny Doherty
Company name:	NGESO
Email address:	Jennifer.doherty@nationalgrideso.com
Phone number:	07771938569

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?	No, we believe that the baseline i.e. charge the trading costs through the Reconciliation Final (RF) run is better than moving these costs to a different timeframe. The justification is set out in Q5 below.
2	Do you support the proposed implementation approach?	No, we do not think that the proposed approach of smearing the costs over Financial Year 2021 / 2022 is the right approach overall. We believe that using the RF run is the best approach as outlined in Q5 below.
3	Do you have any other comments?	<p>We wish to apologise for the inconvenience caused to those parties who are impacted. We would like to reinforce that the ESO are taking this under-recovery very seriously and have already put in measures to ensure that the possibility of this re-occurring is significantly reduced. We have looked to provide a compromise of both RF and SF recovery by moving the ~£10m loss of mains into the SF run in FY 2021/22, as set out in Q6 below.</p> <p>If anyone would like to discuss the impact on them directly, please do not hesitate to contact either myself directly (Jennifer.doherty@nationalgrideso.com) or bsuos.queries@nationalgrideso.com</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	We do not wish to raise an alternate.
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	<p>We consider that the status quo approach of using the Reconciliation Final (RF) would be the best overall approach. This is because:</p> <ul style="list-style-type: none"> It ensures that those parties who were liable for the charges, will pay them. For example, those parties who were paid in that settlement period for

	<p>Final (SF) Run? Please provide the rationale for your response?</p>	<p>a trade, would also then pay their proportion of the BSUoS charge. We appreciate that this approach will be changing through wider BSUoS reform, however this is the current methodology and therefore as other costs have been incurred on a per settlement period basis, it provides consistency.</p> <ul style="list-style-type: none"> • It provides parties with the most visibility of their upcoming charges and support for cash flow as the invoices will only be sent between 19th November 2021 and 4th May 2022. • It follows the existing CUSC methodology which we believe should be the default position given the costs were incurred through normal balancing activities. Although we appreciate that this cost is higher than that normally seen through the RF run. <p>We do not agree with the view of some work group members that charging these costs through the RF run would limit competition or cause parties to cease trading. We believe that the notice period provided will allow parties to know how best to account for these charges in their businesses.</p>
6	<p>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.</p>	<p>There are two different approaches:</p> <ol style="list-style-type: none"> 1) The costs are correctly targeted This is our preferred approach as set out in Q5, however the most accurate way to do this is through the existing approach of using the RF run and not through a further unnecessary amendment to the charging methodology. 2) The costs are socialised If the decision is for costs to be socialised, then this should be done by increasing the amount of settlement periods where the costs are being socialised over, therefore reducing the impact per settlement period. <p>On the Default Tariff Cap, we understand that only charges through the SF run can be included in the cap. We have taken that feedback on board and since moved the ~£10m loss of mains into the SF run in FY 2021 / 22. We believe that this is a good compromise for parties, reducing the price cap impact, whilst noting the current methodology's need for recovering costs associated with specific settlement periods, and providing cash flow support for parties.</p>

		We do note that the Default Tariff Cap also only applies for domestic customers, and therefore it is a subset of the overall cost to be recovered that is impacted.
7	Do you believe that the costs should be recovered from 1 October 2021 to 31 March 2022 (as per 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>As set out in our answer to Q5, our preferred approach is to use the RF run.</p> <p>If costs were to be socialised, this should be done in its broadest sense and therefore from 1st June 2021 – 31st March 2022. We consider that it makes little sense to attempt to spread the costs over a shorter timeframe in the 21/22 charging year as this does not satisfy the objective of cost reflectivity and would simply move more of these costs onto the parties who happen to be using the system in those periods as opposed to the users of the system when the cost occurred.</p> <p>If the SF run was going to be used to charge users their specific “share” of the under-recovered costs, this would need a manual work around to implement. This would add a manual process which would require significant extra time to achieve whilst delivering little value, as the existing process of the RF run can be used to achieve this. We think it is also important to note, that a manual workaround will mean that the costs will be charged through a monthly invoice, and to ensure cost reflectivity, we would use 20/21 original energy volumes to calculate the recovery of the costs for each user over the period when the cost occurred. It therefore does not form part of the SF calculations nor automatically feed into the price cap calculation as it is defined currently.</p>
8	Will the CMP373 Original Proposal or any of the potential alternative solutions impact your business and/or end consumers. If so, how?	The ESO is able to implement the options proposed i.e. smearing charges across the remainder of FY21/22 from either June or October.