

## CMP201 Addendum

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Connection and Use of System Code  
(CUSC)

# CMP201 Removal of BSUoS Charges from Generation

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## Clarification on modelling of “short term” impact

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## About this document

This document is an addendum to the CMP201 draft Final CUSC Modification Report. This report can be found at <http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/currentamendmentsproposals/>



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### Any Questions?

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## Clarification on the Modelling of “short-term” impact.

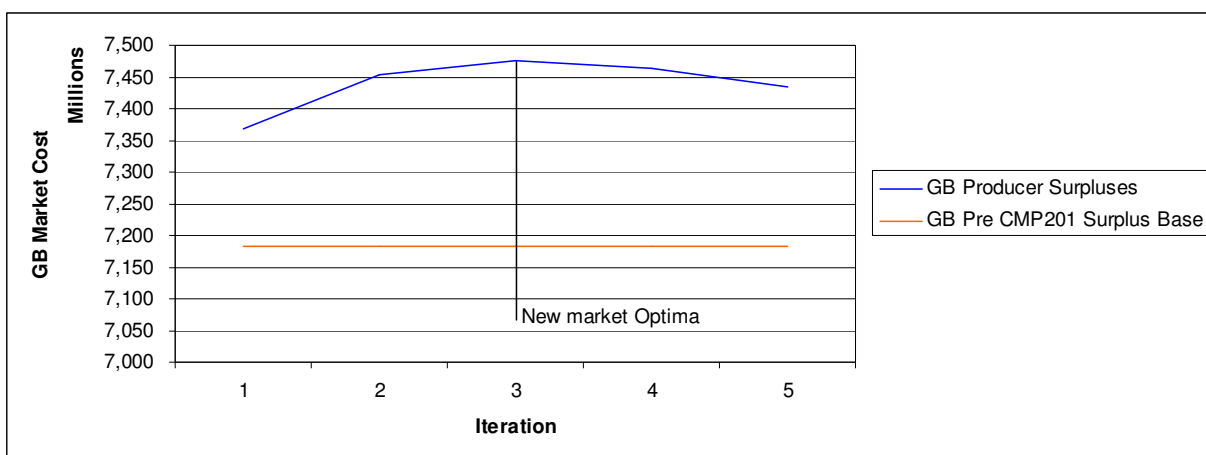
Annex 14 of the Draft Final Modification report outlines the potential impact of competition arising from CMP201. Paragraphs A14.44 et. al. and associated graph attempts to model the “short term” effect on the market. This note attempts to expand that understanding. Comparable graphs are repeated below for ease of clarification.

If BSUoS is removed from Generation, then that avoided cost can be passed through to the GB market as reduced wholesale prices.

Those reduced prices lead to greater interconnector exports in the wider EU market and consequently greater returns (Producer Surpluses) for GB generation (shown in iteration 1)

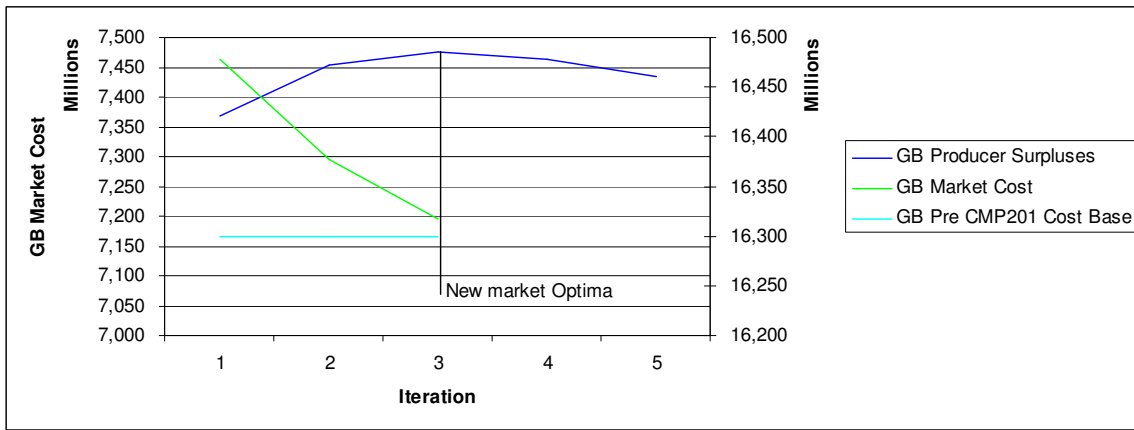
Further GB generation market price reductions lead to yet more exports and further increases in GB generator surpluses until a point is reached where GB and continental markets have converged (iterations 2 & 3).

Beyond that point any further GB generator price reductions does not lead to significant increase in exports and so reducing the price only result in reduced returns (iterations 4 & 5). Generation would seek to return the point where their surpluses are maximised (iteration 3).



Iteration	1	2	3	4	5
% Change in exports	1%	6%	23%	24%	24%
% Change in imports	-15%	-27%	-34%	-38%	-34%

If we now overlay the impact on GB Consumers (Market Cost), it can be seen that at the price point at which Producer surpluses are maximised, the difference in GB market cost pre and post proposal is 0.1% i.e. an increase from £16,300m to £16,316m in modelled costs.



The model therefore indicate that, given the greater access that GB generation will have to the wider EU market and the potential for greater returns that this offers, the impact on GB consumers could be negligible at the new market optima.

This is one view of the potential impact of CMP201. Individual generators will have different internal strategies and so market responses may vary from this analysis. Nor does the analysis indicate how quickly the market may re-optimize. That said and if CMP201 is approved, the lead-time to the “go-live” date may allow generators to perform their own analysis and modify their strategies in advance of that date.