

CUSC Panel

Wednesday 12 January 2022

Online Meeting via Teams

WELCOME

A wide-angle landscape photograph featuring a valley with a winding river and several bright, glowing orange-yellow lines that curve across the terrain, suggesting energy or data flow. In the background, large, rugged mountains are partially covered in snow under a dramatic, cloudy sky with a bright light source.

nationalgridESO

Draft Final Modification Reports

CMP381: Defer exceptionally high Winter 2021/22 BSUoS costs to 2022/2023

Paul Mullen

CMP381 Background

CMP381 Original Proposal seeks to:

- **Set a £10/MWh cap on BSUoS from 1 January 2022 until 31 March 2022.**
- **Defer the additional BSUoS costs above the cap to the 2022/23 charging year, using a similar mechanism approved under CMP345 and CMP350.**
- **Recover the additional BSUoS costs above the cap from 1 April 2022 (based on forecast if actuals are not available)**
- **Recover an identical amount per day that is allocated to Settlement Periods on a chargeable volume weighted basis.** This is in line with the approach used for CMP373.
- **Limit the BSUoS costs that could be deferred to £300m. There will be a weekly report of the percentage utilisation of the deferred amount, moving to daily reporting when 60% of total support has been used.**

Implementation date: Specified by Ofgem - Proposer has sought for this to be effective from the 1st Settlement Period on 1 January 2022

- The CUSC Panel on 17 December 2021 considered CMP381 and the associated request for urgency. The unanimous view of the CUSC Panel was that CMP381 met Ofgem's Urgency criteria and Ofgem granted Urgency on 20 December 2021. The CUSC Panel also agreed that this would need to be assessed by a Workgroup.
- Workgroups held 21 and 31 December 2021 and a Workgroup Consultation was held between 9am on 23 December 2022 and 5pm on 29 December 2021 – 17 responses were received (16 non confidential, 1 confidential)

CMP381 – Alternative Solutions

Other Solutions	Limit for the amount of deferred BSUoS Costs	BSUoS Price Cap	Effective Date
CMP381 Original	£300m	£10/MWh	From 1 January 2022 to 31 March 2022
WACM1	£300m	£10/MWh	From Ofgem Implementation Date to 31 March 2022
WACM2	£200m	£10/MWh	From Ofgem Implementation Date to 31 March 2022
WACM3	£200m	£15/MWh	From Ofgem Implementation Date to 31 March 2022
WACM4	£200m	£20/MWh	From Ofgem Implementation Date to 31 March 2022
WACM5	£200m	£50/MWh	From Ofgem Implementation Date to 31 March 2022

Workgroup Consultation Responses - Summary

- 12 out of 16 respondents supported the Original and the £10/MWh BSUoS Cap although 1 of these respondents proposed that Effective Date and Implementation Date are the same and raised a Workgroup Alternative raised on this basis. Alternative BSUoS Caps of £15/MWh, £20/MWh and £50/MWh have also been proposed.
- 10 out of 16 respondents supported an Effective Date of 1 January 2022 as these BSUoS prices won't have been invoiced by the Implementation Date (if 17 January 2022 as per Urgent timeline) whilst others noted the general concerns of “retrospectivity” undermining market confidence and that this will cause issues for those parties who seek to reflect expectations of BSUoS costs into their operations closer to real time;
- 12 out of 16 respondents supported the proposed £300m deferral limit or higher. 2 respondents proposed £200m and Workgroup Alternatives have been raised on this basis;
- On the ESO reporting on progress against the agreed deferral limit, there were a mix of views with 3 respondents asking for daily reporting to kick in straight away whilst others were happy with weekly reporting until a certain % (options ranged from 60% to 80%) of the limit reached and thereafter daily reporting. Following Workgroup discussion, the Workgroup concluded there will be a weekly report of the percentage utilisation of the deferred amount, moving to daily reporting when 60% of total support has been used; and
- Additional impacts particularly on Consumers and Small Suppliers were brought out and these have been reflected in the “Workgroup Assessment of Impacts” section of this document.

CMP381 Workgroup Vote – took place 31 December 2021

Assessment of the Original and WACM1 to WACM5 inclusive vs Baseline

The Workgroup concluded by majority that the Original and WACMs 1- 5 inclusive better facilitated the Applicable Objectives than the Baseline.

Option	Number of voters that voted this option as better than the Baseline
Original	6
WACM1	7
WACM2	7
WACM3	7
WACM4	7
WACM5	7

Code Administrator Consultation Responses - Summary

- 12 out of 14 respondents supported at least 1 of the proposed options but the majority of respondents preferred the options (Original or WACM1) which include the lowest BSUoS Cap of £10/MWh as this would maximise the support available. Some of these respondents argued that the higher BSUoS Caps wouldn't go far enough although 1 respondent expressed a preference for a BSUoS Cap of £50/MWh as they believe it is in the interests of consumers for there to be confidence that the cap will remain in place throughout the period. However, the 2 respondents, who do support the change, called for a more targeted approach with 1 of these respondents concerned that this transfers the cost of suppliers exposure to high BSUoS costs onto consumers at a time when the price of energy is already high whilst the other respondent proposed that only the cashflow impacts should be addressed;
- There were a mix of views as to whether or not the Effective Date should be 1 January 2022 as these BSUoS prices won't have been invoiced by the Implementation Date (if 17 January 2022 as per Urgent timeline) whilst others specifically expressed that they do not support "retrospectivity";
- There were general comments as to why the current BSUoS costs are exceptional and/or unforeseen; and
- No Legal Text issues were identified.

CMP381 Timeline

Milestone	Date
Panel undertake DFMR recommendation vote	12 January 2022 (10-11am)
Final Modification Report issued to Panel to check votes recorded correctly	12 January 2022 (1pm)
Final Modification Report issued to Ofgem	12 January 2022 (3pm)
Ofgem decision	14 January 2022 (5pm)
Implementation Date	From 1 January 2022 to 31 March 2022 (Original) or From Ofgem Implementation Date to 31 March 2022 (WACMs 1 – 5)

CMP381 - the asks of Panel

- **NOTE** that this Modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC?
- **VOTE** whether or not to recommend implementation
 - *Does the CMP381 Original proposal and/or WACMs 1 - 5 better facilitate the objectives than the current CUSC arrangements?*
- **NOTE** next steps

EBR Article 3 Objectives

For reference, the Electricity Balancing Regulation (EBR) Article 3 (Objectives and regulatory aspects) are:

1. This Regulation aims at:
 - (a) Fostering effective competition, non-discrimination and transparency in balancing markets;
 - (b) enhancing efficiency of balancing as well as efficiency of national balancing markets;
 - (c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;
 - (d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;
 - (e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;
 - (f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;
 - (g) facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.

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