

**Workgroup Consultation Response Proforma****CMP420: Treatment of BSUoS Revenue Recovery, and creation of a BSUoS Fund**

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](mailto:cusc.team@nationalgrideso.com) by **5pm on 19 April 2024**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact Lizzie Timmins [Elizabeth.timmins@nationalgrideso.com](mailto:Elizabeth.timmins@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com)

Respondent details	Please enter your details	
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<b>Which best describes your organisation?</b>	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input checked="" type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

**I wish my response to be:**  
(Please mark the relevant box)

☒ **Non-Confidential** (this will be shared with industry and the Panel for further consideration)

☐ **Confidential** (this will be disclosed to the Authority in full but, unless specified, will not be shared with the Workgroup, Panel or the industry for further consideration)

**For reference the Applicable CUSC (charging) Objectives are:**

- 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;
- b. 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);

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

\*The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.

**Please express your views in the right-hand side of the table below, including your rationale.**

Standard Workgroup Consultation questions		
1	Do you believe that the Original Proposal better facilitates the Applicable Objectives?	<div>Mark the Objectives which you believe the Original solution better facilitates:</div> <div>Original <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E</div> <div>Click or tap here to enter text.</div>
2	Do you support the proposed implementation approach?	<div><input type="checkbox"/> Yes</div> <div><input checked="" type="checkbox"/> No</div> <div>The Workgroup has moved away from a solution that would include the codification of how the ESO should treat over-recovery. Anything other than putting into code the circumstances under which a fixed tariff would be reopened is an unsatisfactory outcome from this process. A guidance note does not give industry the process certainty needed to efficiently manage the riskiness of BSUoS (see answer to question 6 below).</div>
3	Do you have any other comments?	Using the unconfirmed FSO working capital facility as a rationale for not amending the code to clarify the scenario in which a fixed tariff would be reopened is not justifiable. However large the working capital fund might be, there will always be the potential for material over or under recoveries as BSUoS has been typically volatile and difficult to forecast.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<div><input type="checkbox"/> Yes (the request form can be found in the <a href="#">Workgroup Consultation</a> Section)</div> <div><input checked="" type="checkbox"/> No</div> <div>Click or tap here to enter text.</div>

Specific Workgroup Consultation questions		
5	Do you believe an obligation on the ESO to report forecasting of comparing Fixed Tariff Revenue vs Costs reporting should be codified? If so, do you think these obligations that traditionally fall within Section 3, should be added to Section 14 of the CUSC and why?	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>An obligation on the ESO to report forecasting of comparing Fixed Tariff Revenue vs Costs reporting should be codified. Industry parties cannot effectively manage BSUoS risks without both the relevant data and processes and rules (we comment on the need to codify the relevant processes and rules in our response to question 6 below). The obligation should be codified to provide the certainty that the data will be provided.</p> <p>Associated obligations that require the ESO to be fully transparent about the underlying assumptions, etc and to provide its 'best' view of costs should also be codified. The ESO has not always provided its 'best' view of costs in its forecasts. For example, the ESO chose not to include an assumption of FSO implementation costs in the fixed tariff forecasts that were presented in the July 2023 webinar even though there was publicly available information that the ESO could have used to provide a 'best' view (see question 9 on <a href="https://www.nationalgrideso.com/document/283146/download">https://www.nationalgrideso.com/document/283146/download</a>)</p>
6	Do you believe a Guidance Note could be an appropriate method of providing sufficient confidence to industry regarding reporting and forecasting? If so, what do you believe should be included in it?	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>A Guidance Note is not an appropriate method of providing sufficient confidence to industry regarding reporting and forecasting. A Guidance Note does not provide the industry with the necessary certainty about the processes and rules for the fixed tariff arrangements and, therefore, does not allow industry to effectively manage BSUoS risks. The three main concerns with the Guidance Note are:</p> <ol style="list-style-type: none"> <li>1. It is unclear whether an obligation can or would be placed on the ESO to always adhere to the Guidance Note.</li> <li>2. It is unclear what governance arrangements would apply to the Guidance Note. For example, it is unclear whether the ESO could unilaterally develop and amend the Guidance Note or amend the Guidance Note without industry consultation or without the Authority's approval.</li> <li>3. It is unclear what is meant by 'operational limits' and how they would be set.</li> </ol> <p>A Guidance Note is not an equivalent substitute for the codification of the relevant processes and rules for the</p>

	<p>purpose of managing BSUoS risks. There is no justifiable reason why the processes and rules should not be codified.</p> <p>The ESO is unlikely to be as informed as suppliers who have contractual relationships with customers and, therefore, are not as well placed to develop a solution that is in consumers' interests and supports the sustainable operation of the electricity retail market. We strongly believe that a primary benefit of codifying the processes and rules is that the approach will be developed jointly with industry participants who need to understand the driver(s) for a tariff reset in order to assess BSUoS risk.</p>
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