

CUSC Workgroup Consultation Response Proforma**CMP345: 'Defer the additional Covid BSUoS costs'**

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 **5pm on 3 June 2020**. 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 at paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
Respondent name:	Frank Aaskov
Company name:	UK Steel
Email address:	faaskov@makeuk.org
Phone number:	0207 654 1506

CMP345

For reference the applicable CUSC Charging objectives are:

Relevant Objective
(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. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1 *; and
(e) To promote efficiency in the implementation and administration of the CUSC arrangements

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

CMP345 - Standard Workgroup Consultation questions		
1	Do you believe that the CMP345 Original Proposal better facilitates the Applicable CUSC Charging Objectives?	Yes.
2	Do you support the proposed implementation approach for CMP345?	Yes.
3	Do you have any other comments?	<p>UK Steel lends its support to CMP345, which would defer the additional BSUoS costs until April 2021. The additional BSUoS cost is significant and unduly penalising Energy Intensive Industries, such as the steel sector.</p> <p>The steel sector continues to operate throughout the COVID-19 pandemic, which has been lauded by the Business Ministers. However, as such, we face higher balancing costs per unit of energy, as the general electricity demand has declined and the BSUoS costs are shared across fewer units of consumed energy. In addition, it increasingly falls on the baseload demand, such as steel production, which is still operating throughout the night.</p> <p>The steel sector is helping balance excess supply with demand by continuing to operate, and balancing costs would be even higher had the sector ceased operations. The higher BSUoS costs thus unfairly penalise steel companies, which help to balance the power supply and reduce overall costs. This is in direct contrast to the curtailment costs paid out to generators at a time of low demand and high supply.</p> <p>Finally, the UK is experiencing a substantial economic downturn as a result of the COVID-19 pandemic, which has also impacted the steel sector and significantly reduced demand. It has a direct impact on cash flows and deferral of BSUoS costs until 2021 would help provide additional breathing space for the sector and other ELLs.</p> <p>We, therefore, believe the modification is justified, considering the extraordinary circumstances of the global pandemic and its impact on the UK economy and as a result the electricity system.</p>

4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Click or tap here to enter text.
Specific Workgroup Consultation Questions		
5	Do you believe it is necessary to define Covid related costs for the purposes of BSUoS charging as a result of this Modification proposal? Please provide rationale to support your response.	Yes. It is important to define the additional costs compared to any given period, so as not to pass on any unnecessary costs.
6	Do you agree with the Original Proposal (and each of the potential alternatives) as to what constitutes Covid related costs? Please provide rationale to support your response.	Yes.
7	Do you think any deferral of Covid costs should be i) within the 2020/2021 Charging Year only, ii) deferred to the 2021/2022 Charging Year or iii) deferred to 2022/2023 Charging Year or iv) deferred equally across the 2021/2022 and 2022/2023 Charging Years? Please provide rationale to support your response.	We would prefer it to be deferred to the 2021/22 charging year, but alternatively, it could also be deferred to 2021/22 & 2022/23.
8	Do you consider it appropriate to smear the entire deferred Covid costs equally across the whole of a Charging Year e.g. 2021/2022 or target the deferred Covid costs to the equivalent Settlement Periods in 2020/21 in which Covid costs arose? If the charge was to be applied equally across a Charging Year should that be on a per Settlement period only basis or on a per MWh basis? Please provide rationale to support your response.	It would be most appropriate to smear the entire deferred cost across the whole period rather than focus on a specific period.

9	Do you consider it appropriate to codify a capped figure for the Covid costs to be deferred? If so, based on the information available, what value do you believe it should be? Please provide rationale to support your response.	Click or tap here to enter text.
10	Do you agree that the period to be covered for deferral of Covid costs should be limited to those incurred up to 31 August 2020?	<p>We do not yet know the full impact of COVID-19 on the economy or how fast it will recover. It is thus too early to limit the deferral period to just the end of August.</p> <p>This should also be seen in the light of the Government's furlough scheme which will continue until November. It should thus be expected that reduced demand (and thereby higher BSUoS costs) will continue to some degree until then.</p>
11	Do you think the impact of the Covid pandemic on BSUoS is sufficient to justify a different approach to charging BSUoS in advance of the second BSUoS Taskforce completing its work? Bearing in mind the short timescale for implementation do you agree with the approach in the option outlined above? Please provide a rationale with your response.	Click or tap here to enter text.
12	Do you agree with the financing options set out above? Is there another way? Please provide rationale to support your response.	Click or tap here to enter text.
13	Do you agree with the impacts we have set out in this Workgroup Consultation? Have we missed any impacted parties? Please provide details to support your response.	Click or tap here to enter text.