

## 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](mailto: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](mailto:paul.j.mullen@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com).

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### 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 we believe this is the case
2	Do you support the proposed implementation approach for CMP345?	Yes. We support the implementation approach
3	Do you have any other comments?	No
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No

#### **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.	In an ideal world this would be the most sensible approach but believe it will not be easy to identify clearly which costs are as a direct result of Covid, which are consequentially caused by Covid and which are unrelated to Covid. We do not believe it is necessary to properly identify each cost, but it is sufficient to make a reasonable estimate of what those costs are.
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, but would add that the fine weather is potentially a consequential impact due to the significant reduction in aircrafts in the sky.
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.	Whilst extending the deferral to 2022/23 would better protect suppliers who have set customers on 2 or 3 year fixed tariffs (or generators in a 2 or 3 year PPA) we are conscious that this will increase the costs. To that end we support deferral to 2021/22. We oppose repayment within 2020/21 as this would mean a significant number of customers domestic and business on fixed term tariffs would become loss making and put financial strain on parties.
8	Do you consider it appropriate to smear the entire deferred Covid	We support the recovery of costs across the whole charging year. Without this then there is the potential for

	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.	gaming by certain parties. It also allows the costs to be collected by suppliers over the year as well, thus reducing the p/kWh impact on consumers.
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.	Whilst we would prefer an uncapped amount due to the level of uncertainty, we accept the ESO position that it needs a cap to secure the financing of this proposal. We believe the £500M figure is appropriate.
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?	We believe the deferral should run until the 30 <sup>th</sup> September in line with the current domestic price cap period. After that date suppliers should, if there are still residual costs be able to collect from SVT customers provided Ofgem has made an allowance in the price cap methodology. There may be some residual Covid impact after this date, but this should be manageable, or if worse then subject to a new modification for resolution.
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.	We believe the pandemic justifies not waiting for the 2 <sup>nd</sup> BSUoS task force. To do otherwise would be to second guess the outcome of the task force and would be too late in implementation.
12	Do you agree with the financing options set out above? Is there	We do not believe this is a matter for us to decide. It is for ESO to seek the most cost-effective solution and

	another way? Please provide rationale to support your response.	would consider any alternative the ESO may propose if it has the desired objective.
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.	Yes, we agree with the impact.