

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
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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?	No
2	Do you support the proposed implementation approach for CMP345?	No
3	Do you have any other comments?	Any deferral should not be back dated. May costs are now incurred and parties will have taken account of these BSUoS costs in their dispatch be it they may have bought back positions which were previous in the money (negative churn). However an adjustment will further create issues in their dispatch decision making. One could argue that a back dating to 1 st June is acceptable as parties have been aware of the potential deferral, however given the level of these costs is unknown we would suggest no retrospective adjustment.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Consideration of only deferring the known costs associated with COVID not the day to day balancing costs which are only forecast and very dependent on weather and demand conditions.
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.	COVID costs which are deferred should be very clearly defined, as otherwise we create not only unknowns in Sum20 but also in 21/22 where parties are already actively hedging. The forecasts provide are based on a scenario, if they are all deferred up to a cap this creates uncertainty in hedging decisions for 21/22. Only clear known costs should be eligible to be deferred.
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.	<p>No, we do not agreed. Definition of all actions at demand < 18GW creates greater uncertainty for Market Participants in both Sum20 and next charging year where deferred costs will be recovered.</p> <p>The entry into the Sizewell contract by NGESO was unprecedented and executed out of line with normal practice in order to ensure security of supply. This was exceptional and unknown to industry, however this cost is known for the current contract duration and will be known figure if extended. This costs should be deferred to 21/22 charging year. There is a question over whether</p>

		<p>other new services such as ODFM should also be included however this process was in line with normal practice and has been transparent in costs and utilisation therefore can be forecast by MP.</p> <p>If all actions, including BM and S7 transactions are included it will be very difficult to determine which will be deferred at which will not unless blanked only action take when demand is < 18GW is applied.</p>
7	<p>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.</p>	<p>Option(i) to defer within current charging year would result in the same issues currently being seen with MP not having any ability to build this in to hedging decisions. Options (ii) and (iii) are acceptable as this allows MP time to adjust their hedging strategy to account. However it should be noted this only works if the values deferred are known.</p> <p>Option (iii) may create additional credit burden for NGESO and also could stray into changes undertaken as a result of the BSUoS taskforce so should be avoided.</p>
8	<p>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.</p>	<p>As stated above, we believe only limited certain costs should be deferred.</p> <p>Spreading over larger period, means the impact will be reduced and likely dispatch will not be affected leading to normal market conditions.</p> <p>We do not have a strong view on whether the charge is applied HH or £/MWh basis but must be clear and known cost.</p>
9	<p>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.</p>	<p>As stated in response to Q2, the COVID related costs should be much more a known number, i.e. easier to define. This should result in much lower deferral amount, and result in no requirement for a cap.</p>
10	<p>Do you agree that the period to be covered for deferral of Covid</p>	<p>No. Should further actions or extensions to any contracts as a result of COVID, including any new or</p>

	costs should be limited to those incurred up to 31 August 2020?	other contracts not mentioned entered into by ESO as a result of this should continue to be included.
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.	Yes. The BSUoS forecast provided by ESO has more than doubled, and this was produced in retrospective after this level of costs had already been incurred. The impact of £3-5/MWh movement in BSUoS with no notice warrants a different approach else could lead to market distortions and result in balancing costs for ESO increasing disproportionately and ultimately leading to higher costs to the consumer.
12	Do you agree with the financing options set out above? Is there another way? Please provide rationale to support your response.	No Comment
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.	Generally yes.