

CUSC Code Administrator Consultation Response Proforma**CMP345 'Defer the additional Covid -19 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 **3pm on 12 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 Panel.

If you have any queries on the content of this consultation, please contact Paul Mullen paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com.

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For reference the applicable CUSC 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. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1 *; and*
- e. *Promoting efficiency in the implementation and administration of the CUSC arrangements.*

**Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).*

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

Standard Code Administrator Consultation questions		
1	Do you believe that the CMP345 Original solution, WACM1, WACM2, WACM3, WACM4, WACM5, WACM6, WACM7 or WACM8 better facilitates the Applicable CUSC Objectives?	<p>No. We believe the status quo, baseline best meets the CUSC objectives.</p> <p>Further, we do not believe it is prudent or sensible to rush through complex changes, whose legacy might have an impact for years, particularly when the BSUoS task force, is suspended & unable to opine. Carrying costs into an unknown future is likely to exacerbate solution of future issues that will arise.</p> <p>Generally, in order to preserve the CUSC objectives:</p> <ol style="list-style-type: none"> 1) retrospective application of rule changes cannot be allowed to occur. Any amendment should only apply to BSUoS costs arising after the date of implementation, & should certainly not affect payment transactions already due, or that have occurred; 2) Recovery should seek to minimise the temporal shift of cost crystallisation versus cost recovery; 3) Any costs to be deferred should be limited to those incrementally incurred as a result of the Covid-19 pandemic (or a good proxy of that); <p>In line with this we make the following comments on the proposals:</p> <ol style="list-style-type: none"> 1) Retrospective repayment of BSUoS is not acceptable: <ul style="list-style-type: none"> - the Original, WACM5 & WACM8 are not acceptable; - WACM3 & WACM4 are preferred; 2) Recovery should avoid or seek to minimise temporal shift of costs & recovery: <ul style="list-style-type: none"> - WACM5 and WACM8 are not acceptable as they exacerbate the problem; - WACM3, WACM4 & WACM7 are preferred as they minimise the problem. 3) Classification of Covid 19 BSUoS should be limited to those incremental BSUoS costs caused by it: <ul style="list-style-type: none"> - WACM 3 & 4 are preferred as they identify specific COVID 19 BSUoS costs; - WACM 5 & WACM6 are acceptable as they seek to limit costs by period as a proxy for identifying Covid 19 specific costs. <p>Those proposals that seek to provide supplier payment holidays (WACM1, WACM6 & WACM7) are generally acceptable, albeit WACM1 seems incomplete, with no sunset clause. Notwithstanding this, it is not clear that the approach of ESO's role becoming overdraft provider</p>

		to suppliers is a good precedent to set without more detailed review &/or formal mutualisation process under CUSC being established.
2	Do you support the proposed implementation approach?	<p>No.</p> <p>We do not support retrospection, it is a market distortion, inefficient and will undermine investor confidence further. As a general rule, forward looking changes are less distortionary and tend to have fewer unforeseen consequences and lower implementation costs.</p> <p>The approach is made more complex by the recent letter from OfGEM re: support for suppliers. It may make sense suspend implementation until after Ofgem clarify their position.</p>
3	Do you have any other comments?	Following the start of the process of lockdown release, demand now appears to be starting to recover, indicating that BSUoS should be on route to returning back to expected levels. Any solution put forward should recognise this, & minimise the impact on the BSUoS regime, in the event we do rapidly return to normal BSUoS levels. This might be best achieved by more robustly identifying & defining BSUoS costs caused by Covid-19 as per WACM3 and WACM4.