

**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	<u>Objective (a):</u> No – This proposal does not adequately account for the impact on current BSUoS participants who are not transmission
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	the Applicable CUSC Charging Objectives?	<p>connected or suppliers, i.e. embedded generators. This could also have a detrimental impact on future participants and therefore future competition in the market.</p> <p><u>Objective (b):</u> We would argue that this modification would result in a negative impact to embedded generators due to the fact that the ringfenced costs are intended to be smeared across future participants who may or may not have participated during this stress event.</p> <p><u>Objective (c):</u> We acknowledge that there is a material operational and financial impact from the reduced demand resulting from the Government enforced lockdown to inhibit the spread of the virus. However, we do not feel that delaying and socialising the ringfenced extra costs across future participants under a new charging regime is justified or fair.</p>
2	Do you support the proposed implementation approach for CMP345?	No – However, improvements in the proposed implementation dates could be made if the implementation is a deferral of cashflows and not a change in ultimate beneficiary or contributor to the cashflows under the pre-modification charging methodology.
3	Do you have any other comments?	We are supportive of measures to ease cashflow issues that participants might face as a result of the increased BSUoS costs arising from the Covid-19 pandemic. However, we do not agree that deferring these costs to a future period or allocating them under a new methodology is appropriate.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No
<b>Specific Workgroup Consultation Questions</b>		
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, Covid related costs must be clearly defined, otherwise the impacts of the modification proposal would be ambiguous. Specific Covid related costs should be separable and quantifiable and apportioned under the existing charging methodology.
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>We feel that Lines I – VI of costs, as noted on page 7 of the consultation as Covid Costs, are reasonable as they are separable and can be quantified as costs from actions that would have been likely not to have occurred had there not been the significant fall in demand caused by pandemic and resulting lockdown.</p> <p>If a deferral of BSUoS payments across the whole industry needs to be financed through the ESO accessing external credit facilities, then this could be reasonably included within the bucket of Covid Costs.</p>
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	<p>Deferral of cashflows relating to Covid Costs should be within the 2020/2021 charging year only, under the prevailing charging methodology and payable/receivable amongst participants active during the HH in which costs are incurred.</p> <p>We feel the most suitable and transparent option discussed in the consultation paper is to recover the deferred costs via the RF settlement run for BUSoS payers, giving them a 14-month cash flow holiday but fulfilling the cost-reflectivity requirement of objective (b).</p>

	2022/2023 Charging Years? Please provide rationale to support your response.	
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.	Any 'smearing of costs' across any period other than the HH settlement period in which the costs are incurred is contradictory to the relevant objective (b) – "cost reflectivity" and therefore we do not consider any other means is either appropriate or necessary.
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.	We do not agree that any costs should be deferred, only cashflows should be considered for deferral.  If a centrally managed method of BSUoS payers deferring their share of additional Covid-19 costs cannot be conceived and if there is a desire or necessity for individual participants to delay the cash settlement for their BSUoS costs this should be discussed with market participants on a case by case basis.
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?	Assuming there is no second peak and/or extended lockdown measures, 31 August 2020 appears to be a reasonable stop date for the deferral of additional incurred costs.
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.	No – Again, the rationale for this modification has not adequately considered the impacted on embedded and distribution connected generation.
12	Do you agree with the financing options set out above? Is there another way? Please provide rationale to support your response.	
13	Do you agree with the impacts we have set out in this Workgroup Consultation? Have we missed any	As we represent largely distribution connected generators, we disagree with the assessment of the workgroup that these generators should only be entitled to BSUoS embedded benefits to the extent of pre-Covid forecasts.

	impacted parties? Please provide details to support your response.	This would disproportionality shift impacts from one market participant to another via a retrospective change of the rules. Embedded generators have not been able, until ODFM was introduced, to easily or efficiently access balancing services.
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