

CUSC Workgroup Consultation Response Proforma**CMP350: 'Changes to the BSUoS Covid Support Scheme'**

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 27 July 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.

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CMP350

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.

CMP350 - Standard Workgroup Consultation questions

1	Do you believe that the CMP350 Original Proposal better facilitates the Applicable CUSC Charging Objectives?	No. A £15/MWh cap is reasonable but the move to a £5/MWh cap would impact too many periods.
2	Do you support the proposed implementation approach for CMP350?	Yes, if accepted it should be implemented on the day after the Authority's decision so as to ensure an orderly transition in the market.
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	CMP350 Original proposes introducing a formal limit of £100m to the amount of Covid BSUoS Support Scheme costs which can be deferred. Do you agree that a formal limit of £100m should be introduced?	Given the Authority has determined that there should be a cap to the Covid BSUoS Support Scheme in its decision on CMP345 then it makes sense to introduce this limit in any proposals which extend the Covid BSUoS Support Scheme.
6	The ESO has included some initial thoughts on how the process would work when the £100m Cap is being approached and when it is reached. Do you agree with this approach? Please provide the rationale for your response	The Original proposal is better as it gives the market more certainty. Clearly, as the £100m is a hard limit then the requirement to give 2 days' notice will mean that the ESO will have to be conservative if we approach the £100m cap. This conservatism would be an acceptable trade-off for the certainty provided to the market.
7	CMP345 introduced a £15/MWh cap for BSUoS. The CMP350 Original proposes to revise this cap to £5/MWh due to the increased frequency of BSUoS costs above £5/MWh. Do you think it is appropriate to revise the cap for BSUoS to below £15/MWh and if so to what value? Please provide the rationale for your response including any supporting analysis	<p>The point of the CMP345 decision was to manage the more extreme BSUoS costs due to demand destruction. Whilst providers should have expected some instances of high BSUoS to occur throughout summer 2020 the extreme BSUoS charges we have experienced were clearly unforecastable. Therefore, the £15/MWh cap was a reasonable compromise.</p> <p>The recovery in demand has produced a less volatile BSUoS charge (albeit with the risk of spikes); it is not clear that the £5/MWh cap is required.</p> <p>Further, to date, CMP345 has not resulted in time-shifting a large amount of cost (only £6m up to late July).</p>

		<p>So, we can expect it to have a limited impact on the ESO and BSUoS costs in 2021/22.</p> <p>However, reducing the cap to £5/MWh would clearly mean that a significant amount of costs would be shifted to 2021/22 (and the £100m cap may be reached) with all of the distributional impacts identified as part of the CMP345 analysis. The report does not comment on the additional costs to industry of time-shifting the £100m of costs. CMP345 is a very recent decision and it is not obvious that this decision of implementing a £15/MWh cap was flawed.</p>
8	<p>The Covid BSUoS support scheme introduced by CMP345 expires on 31 August 2020. The CMP350 Original proposes extending the expiry date to 30 September 2020 and a Workgroup Member has proposed extending this further to 25 October 2020. Do you think it is appropriate to extend the Covid BSUoS support scheme introduced by CMP345 and if so, to what date? Please provide the rationale for your response</p>	<p>There is a reasonable argument to extend the deadline of the CMP345 solution given the risk of extreme BSUoS costs that is still present. If the scheme was to be extended, then the end of October is reasonable as this would be consistent with other assumptions the ESO has made (such as about ODFM).</p>