

CUSC Code Administrator Consultation Response Proforma**CMP350 'Changes to support 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 **4 August 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.

Respondent details	Please enter your details
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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 use of system charging methodology.*

**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 CMP350 Original solution, WACM1, WACM2, WACM3, WACM4, WACM5, WACM6 or WACM7 better facilitates the Applicable CUSC Objectives?	<p>The Original and all WACMs better facilitate applicable objectives (a) and (c). The Original performs best against the applicable objectives.</p> <p>Applicable objective (a): The solution introduced by CMP345 fails to address the impact Covid has had on the exceptional frequency of higher BSUoS rates across a much broader range of BSUoS price levels. We believe a cap of £5/MWh provides a necessary and more appropriate level of protection for market participants which addresses both the instances of exceptionally high levels of BSUoS prices as well as the exceptional frequency of high levels of BSUoS prices.</p> <p>The Original and all WACMs provide greater protection to market participants against the exceptional BSUoS costs caused by Covid-19 over summer 2020. They do this by deferring a greater proportion of the exceptional costs to next year and/or by extending the operation of the scheme.</p> <p>Deferring a greater proportion of the exceptional BSUoS costs to a future period will allow Parties to reflect these costs into future tariff offerings. Such protection, for exceptional events, that are high impact and low probability, such as Covid-19, will reduce the level of risk that will need to be factored into future tariffs and facilitate effective competition in the generation and supply of electricity. In our view this will, as a result, lower the long-term costs to consumers. Therefore, options which lower the cap and extend the scheme (Original and WACMs 1, 2, 4, 5, 6) perform better than those which only extend the scheme (WACMs 3 and 7).</p> <p>The Original performs best because the supporting analysis provided with the modification objectively justifies that a £5/MWh cap is necessary to return BSUoS to a level which a prudent market participant could have foreseen and taken account of in commercial planning for the summer. The analysis</p>

		<p>also indicates that the £100m cap is not expected to be breached at this level of cap, unless demand suppression returns to 15%. The other proposed cap levels, whilst better than the baseline £15/MWh cap, do not provide enough protection to market participants. Limited justification has also been provided for the £10/MWh cap, and the £6.60/MWh cap is based a small sample so less reliably capturing the range of weather patterns which affect BSUoS.</p> <p>Applicable objective (c): All options introduce a limit of £100m. The introduction of a limit to the amount of Covid costs that can be deferred will help to ensure the continued financeability of the ESO.</p>
2	Do you support the proposed implementation approach?	Yes
3	Do you have any other comments?	<p>We would note a couple of additional impacts:</p> <ul style="list-style-type: none"> • The exceptional frequency of high BSUoS prices provides a signal to reduce demand or increase embedded generation, potentially increasing the costs of balancing the system. By removing costs from high BSUoS periods and recovering them in a smeared fashion in a future year, the proposal reduces this signal. Whilst we acknowledge this will reduce benefits to embedded generation, we consider that embedded generators have already received significant unexpected BSUoS payments this summer, with a 25% increase in instances of BSUoS >£5/MWh already (Apr - 15th July) compared to the whole summer of 2019 (Apr-Sep). • A BSUoS cap of £5/MWh should reduce the costs of actions to manage COVID since market participants will not need to factor in higher BSUoS rates when offering services to the ESO in the BM or ancillary services market.