

Code Administrator Consultation Response Proforma**CMP373: Deferral of BSUoS billing error adjustment**

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 **12pm on 13 May 2021**. 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.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
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For reference the Applicable CUSC (charging) Objectives are:

- 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;*
- 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);*
- 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;*
- Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and*
- Promoting efficiency in the implementation and administration of the 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.

Code Administrator Consultation questions		
1	Do you believe that the CMP373 Original Proposal better facilitates the Applicable Objectives?	<p>(a) Positive – The CMP373 Original avoids the adverse impact on the Default Tariff Cap calculations, both past and future, which would have an anti-competitive differential discriminatory effect on suppliers that are more focussed on the domestic market. Also, this approach will not significantly change the ESO cashflow and does not unexpectedly penalise (or reward) industry parties for this unforeseen cost recovery adjustment.</p> <p>The failure to recover these costs in the normal timescales (profiled to when these costs were incurred) is due to errors made solely by the ESO. Furthermore, no transparency of any potential problem was given until the announcement to recover all of these costs in a settlement billing run (RF) on 9th April 2021.</p> <p>The ~£34m, which is expected to be billed from November 2021, is much higher than the typical amount for an RF run so Suppliers, Generators and Consumers will suffer significant financial impact. This compares to increases of just £5.5m and £9.1m between the SF and RF settlement runs for 2017/18 and 2018/19 respectively.</p> <p>The Standard Variable Tariff cap calculation methodology specifically uses the SF Settlement Runs. Any adjustments to BSUoS costs made to the RF billing, which occurs after the SF run, cannot be reflected in the Default Tariff Cap.</p> <ul style="list-style-type: none"> • Winter 20 price cap (July 2019 to June 2020 BSUoS), in the past now so cannot be recovered. • Summer 21 price cap (calendar 2020 BSUoS), which was published on 7th February 2021 and can no longer be changed

		<ul style="list-style-type: none"> Winter 21 price cap (July 2020 to June 2021 BSUoS). This will be published by 6th August 2021 but will use SF data under the current methodology, so will not recover additional costs pushed through RF. <p>If the RF run is used then commercial and industrial consumers on BSUoS pass-through contracts will face unexpected retrospective costs occurring in different budgeting periods. This will make it very difficult for them to manage their business finances and would be an unwelcome additional cost falling in a difficult period for many following the last year of disruption due to Covid-19.</p> <p>Also, a large number of these consumers are likely to have moved to a different supplier further complicating matters. If industry parties had been given transparency of these errors in advance of 9th April 2021 then Suppliers could have communicated this more effectively.</p> <p>Therefore, it will be better for Suppliers, Generators and Consumers if the recovery of these costs is through the 2021/22 SF runs rather than the 2020/21 RF run.</p> <p>(b) Neutral</p> <p>(c) Neutral</p> <p>(d) Neutral</p> <p>(e) Neutral</p>
2	Do you support the proposed implementation approach?	Yes, we believe that the costs should be recovered from 1 st October 2021 to 31 st March 2022 (as per Original proposal) as it gives a reasonable notice period for future charges, on the expectation of an Ofgem decision no later than 21 st May 2021.
3	Do you have any other comments?	We welcome the ESO decision to recover the £9,855,009.14 of the ALoMCP under recovery across the SF run in FY2021/2022, smeared across all settlement days equally, instead of their original proposal to also include these in the RF runs.

		We understand that they are able to do this without a CUSC change but CMP373 is required to use a similar FY2021/2022 SF recovery approach for the £33,163,790.21 cost associated with the trading activities error.
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