

Workgroup 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 4 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 Mullen paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
Respondent name:	Paul Youngman
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I wish my response to be:

(Please mark the relevant box)

☒ Non-Confidential

☐ Confidential

Note: A confidential response will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel, the Workgroup or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

For reference the Applicable CUSC (charging) 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; and*
- e. *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 regarding the Workgroup Consultation in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions		
1	Do you believe that the CMP373 Original Proposal better facilitates the Applicable Objectives?	<p>Yes. We agree with the proposer that, in the current circumstances, the modification is positive with regards to relevant objective (a) facilitating effective competition. In particular, the original form of the modification would help mitigate any potential distortions, by enabling market participants to recover costs appropriately from customers over a reasonable timeframe.</p> <p>The ESO has accumulated an under-recovery of £44m in BSUoS costs which it now seeks to recover from market participants. This is an unforeseeable cost that could not be mitigated by market participants. Under the baseline arrangements, the ESO proposes to recover circa £10m related to the Loss of Mains Project Costs (LoMPC) through the 2021/2022 SF process. However, it proposes to recover the remaining £34m of trading costs through the 2020/2021 RF process despite these not having been identified in the 2020/2021 SF process.</p> <p>As highlighted in the workgroup discussions, recovery of the £34m of trading costs would be in addition to the 'normal' difference between the SF and RF runs. We agree with the proposer and accept that this unforeseen charge may lead to distortions and /or would be distributed unevenly between groups of customers. We also note the difficulties with recovery following a change of supplier and interactions with the calculation of the Default Tariff Cap methodology.</p> <p>We agree with the proposer that given these circumstances the £34m of erroneously under-recovered trading charges should be recovered through the 2021/2022 SF process and not through the standard 2020/2021 RF process.</p>
2	Do you support the proposed implementation approach?	Yes, we support the proposed implementation approach which strikes the right balance between simplicity and giving suppliers and other market participants clear notice of the additional costs that will be recovered between October 2021 and 31 st March 2022.
3	Do you have any other comments?	We support the original proposal. This was an error and unforeseeable cost that could not be mitigated by parties. The

		ESO has accepted that the LOMPC costs of £10m should be recovered through the 2021/2022 SF run and it would be consistent to recover the remaining £34m also through SF. The solution strikes the right balance in enabling the costs to be recovered in an appropriate timeframe and minimises the distortive impact of the error.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No.
Modification Specific Workgroup Consultation questions		
5	Do you believe that it is more appropriate to recover the £33,163,790.21 of trading costs in the FY 2021/2022 Settlement Final (SF) Run? Please provide the rationale for your response?	Yes. In these circumstances it is more appropriate to recover through the 2021/2022 SF run. The error has led to an under-recovery of £44m in BSUoS costs which were unsighted to all parties including customers. We agree with the ESO's approach to recover the circa £10m of LOMPC costs through the 2021/2022 SF run and believe the same approach should be taken with the circa £34m of trading costs given the exceptional circumstances.
6	Do you think that it is more important to socialise the costs across users in FY 2021/2022 or to correctly target the liable users when the costs were incurred using the RF run? If not socialised do you have a proposal for how the Default Tariff Cap calculations would work? Please provide the rationale for your response.	Given the particular circumstances of the error, the value involved, and the potential for further distortion if a more complex method is developed, we believe it is reasonable to socialise the under-recovery of £34m through the 2021/2022 SF run in a similar way to the under-recovery of £10m for the Loss of Mains Project costs. Socialising the under-recovery in this instance should not form any precedence for any future under/over-recovery amounts, which should be dealt with on their merits given the prevailing circumstances.
7	Do you believe that the costs should be recovered from 1 October 2021 to 31 March 2022 (as per Original proposal) or 1 June 2021 to 31 March	We see merit in the recovery over either a six-month period as in the original proposal, or a ten-month period. On balance we are persuaded, and believe there is a consensus, that recovery between October 2021 to 31 March 2022 is preferable, as this will provide additional forward visibility to parties of these incremental costs while being recouped in a timely manner.

	2022 or using the default of the RF runs? Please provide the rationale for your response.	
8	Will the CMP373 Original Proposal or any of the potential alternative solutions impact your business and/or end consumers. If so, how?	Yes. The original proposal should minimise distortion and enable our supply business to reflect the under-recovery of BSUoS charges appropriately to customers. The error has led to a large difference between SF and the RF runs such that the extra cost cannot be adequately mitigated against, or reasonably recovered from customers.