

Workgroup Consultation Response Proforma

CMP381: Defer exceptionally high Winter 2021/22 BSUoS costs to 2022/2023

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 **29 December 2021**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

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:	Andy Manning
Company name:	Citizens Advice
Email address:	andy.manning@citizensadvice.org.uk
Phone number:	07471950292

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 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 in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions		
1	Do you believe that the Original Proposal or any of the potential alternative solutions better facilitates the Applicable Objectives?	<p>No evidence or compelling arguments have been provided that the Proposal is good for consumers generally. There is a clear cost as consumers fund providing some relief for Suppliers' exposure to high BSUoS costs for customers on fixed price deals. Consumer benefits are more speculative. If evidence can be provided to support the benefits, the Proposal could be justified.</p> <p>We believe there is value to spreading costs at a time when there is pressure on household bills. However, this cannot come at any price. The consultation recognises that <i>'Deferring costs to a future period will allow Suppliers to reflect a portion of these costs into future tariff offerings'</i>. This means, in effect, consumers will be paying this portion rather than Suppliers, transferring costs onto consumers. Evidence is required to show the benefits to consumers of spreading costs outweighs this increase in costs.</p> <p>The consultation claims <i>'Such protection will reduce the level of risk that will need to be factored into future tariffs... and as a result, lower the long-term costs to consumers'</i>. Evidence is required to demonstrate that this is the case. We do not believe the Suppliers would necessarily reflect the risk of truly 'exceptional' events in consumer tariffs as it could make these tariffs uncompetitive. In that case there would be no impact on future tariffs. We would assume that Suppliers have a documented approach to risk premia in pricing. This could be provided to (or requested by) Ofgem.</p>

		<p>We also believe there is value in helping to avoid further Supplier failures. However, this Proposal is a poorly targeted approach to doing so as it provides relief, at the expense of consumers, to all Suppliers regardless of their financial position.</p> <p>Again, analysis is required to compare the clear cost to consumers with any potential benefit.</p> <p>A more targeted approach, potentially similar to the 'payment holiday' alternative under CMP345 may be more appropriate for addressing the risk of supplier failures.</p>
2	Do you support the proposed implementation approach?	Click or tap here to enter text.
3	Do you have any other comments?	<p>We would also note our concerns with the workgroup assessment of consumer impacts, which we do not believe is balanced. Firstly, it fails to clearly set out the transfer of costs from Suppliers to consumers generally, resulting from Suppliers being able to reflect costs into future tariff offering (as mentioned above). More generally, it seems to favour the Proposal. For example, for domestic users on Default Tariff Cap the assessment mentions that the price impact in October 2022 may be reduced, but does not mention that price impacts in subsequent cap periods would need to increase to compensate (i.e. broadly neutral overall). A further example is for Non-Domestic BSUoS pass through, which describes the impact of transferring costs to 2022/3 as 'slight' whilst stating that without CMP381 consumers would see '<i>Significant price shocks for 2021/22</i>'. This seems to suggest that CMP381 would mean consumers avoid significant price shocks, which we do believe to be the case, and is at odds with the claim that the impact on 2022/3 is slight. We believe the consumer impact assessment needs revising.</p> <p>This adds to our concerns over the process for this modification. Our ability to assess this modification and respond has been severely hampered by the timing of the modification and consultation. This is likely to be true for other parties.</p>

4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Click or tap here to enter text.

Specific Workgroup Consultation questions

5	The CMP381 Original proposes to set a £10/MWh cap on BSUoS. Do you think it is appropriate to set a BSUoS cap and if so to what value? Please provide the rationale for your response including any supporting analysis.	<p>No evidence or compelling evidence has been provided yet to justify setting a cap on BSUoS.</p> <p>Since the cap was set for Covid Costs (CMP350), balancing costs have been increasing generally and significantly. Without being able to do any analysis ourselves at this stage, it seems very unlikely that £10/MWh remains an appropriate level for what represents exceptional costs.</p>
6	The CMP381 Original seeks to limit the additional BSUoS costs that would be deferred to £300m. Do you think it is appropriate to introduce a limit and if so to what value? Please provide the rationale for your response.	Click or tap here to enter text.
7	The CMP381 Original seeks to defer the additional BSUoS costs above the cap to the 2022/23 charging year. Recovery of the deferred costs is proposed to commence from 1 April 2022. Do you agree with this approach? Please	Click or tap here to enter text.

	provide rationale for your response.	
8	What reporting frequency and end of CMP381 BSUoS Support Scheme notification would be of most use to you? Please provide justification for your response.	Click or tap here to enter text.
9	CMP381 Original would apply to BSUoS prices with effect from 1 January 2022. Do you have any concerns with this approach? Please provide rationale for your response.	Click or tap here to enter text.
10	Does the CMP381 Original Proposal or any of the potential alternative solutions impact your business and/or end consumers. If so, how? <i>Confidential Information can be shared with Ofgem directly particularly where it relates to Ofgem's Urgency Criteria.</i>	Click or tap here to enter text.