

## 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](mailto: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](mailto:paul.j.mullen@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com)

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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 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?	We believe that an alternative solution would better facilitate the applicable objectives.
2	Do you support the proposed implementation approach?	Not fully, we do not support retrospective implementation as proposed.
3	Do you have any other comments?	None, except those made in response to questions below.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	Yes, please see attached our consultation alternative request form.

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.	Clearly, some recent BSUoS prices have been exceptional and this will affect both suppliers and generators. It is likely to cause difficulties for participants operating in different timescales. The level of £10/MWh does seem low to us. We accept that this was the level set for CMP350, but we originally argued in respect of CMP345 that £15/MWh was more representative of extraordinarily high BSUoS prices. Also, in light of the ESO's position that £200m is likely to be the limit on how much cashflow it is able to carry, we would suggest that a £15/MWh level would seem more appropriate to ensure that the limit is not reached too quickly. We note the ESO's analysis of how much cost would have been rolled over had a cap been set at different levels during the autumn, which supports this view and agrees with the results of our own similar analysis. Our preference would be to provide protection for the whole period to the end of

		March and not to frontload it by choosing too low a level of cap.
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.	There should be a limit on the value that is deferred and this should reflect the ESO's ability to provide the cashflow necessary to defer costs. The ESO has indicated that the limit should be £200m on this basis. We are not in a position to critique the ESO's assessment of its cashflow position.
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 provide rationale for your response.	Yes, costs should be smeared over as many days in the 2022/23 charging year as possible. Therefore, we support this approach, whilst accepting that it will require some estimation for a short while whilst relevant settlement runs are undertaken.
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.	<p>We agree with the ESO's proposal to:</p> <ul style="list-style-type: none"> <li>• Publish a weekly update on the costs which have been deferred to date; and</li> <li>• Should 80% of the total support limit be reached, then this will be updated each working day</li> </ul> <p>We believe that organisations that are significantly impacted by BSUoS levels in closer to real-time timescales will actively monitor the situation for themselves anyway.</p>
9	CMP381 Original would apply to BSUoS prices with effect from 1 January 2022. Do you have any concerns with this approach?	Yes. We note that the approach is described as a prospective implementation with retrospective application. We believe that this is in reality a retrospectively implemented modification. Up to the implementation date the legal text will describe how BSUoS is calculated and billed, and this will not refer to capping of prices. If this subsequently changes, then this

	<p>Please provide rationale for your response.</p>	<p>will be a retrospectively implemented modification, as the rules applying to a specific date which has already passed will be changed. Retrospective implementation will cause issues for those parties who seek to reflect expectations of BSUoS costs into their operations closer to real time, including the balancing mechanism. If those parties do not know whether the cap is to be applied or not then they will have to take a view on this. Therefore, dispatch of plant may be based simply on differing views as to whether CMP381 is to be implemented or not for the period to which retrospectivity would apply. Additionally, we are generally unsupportive of retrospectively applied modifications as they undermine regulatory certainty and therefore confidence in the market.</p>
10	<p>Does the CMP381 Original Proposal or any of the potential alternative solutions impact your business and/or end consumers. If so, how?</p> <p><i>Confidential Information can be shared with Ofgem directly particularly where it relates to Ofgem's Urgency Criteria.</i></p>	<p>We would expect this proposal to affect all parties including consumers. There are a lot of different ways in which this can happen, given the multiple ways that parties can be exposed to BSUoS, particularly while it continues to be charged to generators and therefore ends up reflected in prices and risks for closer to real time operations and balancing actions. These risks and costs in turn are reflected in the costs and prices that others are exposed to, including imbalance prices and BSUoS costs themselves.</p>