

## Code Administrator Consultation Response Proforma

### CMP361 & CMP362: BSUoS Reform: Introduction of an ex ante fixed BSUoS tariff & Consequential Definition Updates

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 7 January 2022**. 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 Jennifer Groome [Jennifer.groome@nationalgrideso.com](mailto:Jennifer.groome@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com)

| Respondent details      | Please enter your details |
|-------------------------|---------------------------|
| <b>Respondent name:</b> | George Moran              |
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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.*

### CMP361

#### 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;*

- 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).*

### **CMP362**

#### **For reference the Applicable CUSC (non-charging) Objectives are:**

- a) *The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;*
- b) *Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;*
- c) *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*; and*
- d) *Promoting efficiency in the implementation and administration of the CUSC arrangements.*

*\*Objective (c) 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 CMP361 Code Administrator Consultation questions |   |   |
|---|---|---|
| 1   | Do you believe that the CMP361 Original Proposal or WACM1, WACM2, WACM3, WACM4, WACM5, WACM6 or WACM7 better facilitates the Applicable Objectives? | <p><b>CMP361 and all WACMs</b> better facilitate the Applicable Charging Objectives (ACOs) relative to the baseline. However, for the reasons set out below, we consider <b>WACM3</b> and <b>WACM4</b> best facilitate the objectives.</p> <p><b>ACO (a): CMP361 original and all WACMs better facilitate ACO (a)</b> by improving the predictability of the BSUoS charges that suppliers need to factor into contract offerings. There are two main elements of the proposal that affect the level of the benefit from the modification, the notice period and the BSUoS Fund.</p> <p><b>Notice Period:</b> The more advance notice that is provided of a fixed charge, the more contracts will be able to benefit from the reduction in risk. All of the WACMs provide more notice than the Original and will increase the benefit of the change and spread it more fairly across the market (and customers).</p> <p><b>BSUoS Fund:</b> The BSUoS Fund in the Original and some of the WACMs acts to reduce the benefit of the change. The BSUoS fund was not recommended by the Task Force or Ofgem and would represent a shock to industry. The mechanism requires suppliers to be able to forecast changes in the ESO's working capital arrangements and risk modelling to be able to forecast future BSUoS rates, neither of which Suppliers will be well placed to do. The fund itself will therefore add back some of the risk premium that the change seeks to reduce and reduces the benefit of those options which include it – although this is mitigated in WACMs 6 and 7 by the capped annual contribution.</p> <p><b>Overall, WACM 3 and WACM 4 perform best against ACO (a) since they do not include a BSUoS fund.</b></p> |

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|   |  | <p><b>ACO (b): CMP361 Original and all WACMs better facilitate ACO (b).</b> BSUoS is currently a cost recovery charge, providing no useful cost reflective forward-looking signal. It can encourage responses that are inefficient and increase system costs e.g. reducing demand to avoid high BSUoS costs caused by excess Generation in a zone. CMP361 will remove/reduce these distortive signals, making it more cost reflective than the baseline.</p> <p><b>ACO (e): The Original and WACMs 1,2 and 5 do not better facilitate ACO (e). WACMs 6 and 7 are neutral against ACO (e). WACMs 3 and 4 better facilitate ACO (e).</b> Moving to an ex-ante approach for BSUoS should simplify the use of system charging methodology, but the introduction of the BSUoS Fund in the Original and WACMs 1,2 and 5 introduces an additional and unnecessary complexity relative to the baseline. Therefore, these options do not better facilitate ACO (e). WACMs 6 and 7 reduce some of this adverse effect by capping the annual contribution to the BSUoS Fund, which will be easier for Parties to understand and manage – therefore these WACMs are judged to be neutral against ACO (e). <b>WACMs 3 and 4 do not include a BSUoS Fund and therefore better facilitate ACO (e).</b></p> |
| 2 | Do you support the proposed implementation approach? | Yes   |
| 3 | Do you have any other comments?                      | We agree with the position set out in the consultation from the Second BSUoS Task Force regarding the impact on the default price cap. If CMP361 is implemented, we believe this would require a change to include the new fixed BSUoS price in the price cap from the point of implementation, including any necessary adjustment to true up allowances for cap periods before the move to an ex-ante approach.  |

#### Standard CMP362 Code Administrator Consultation questions

|   |  |   |
|---|--|---|
| 1 | Do you believe that the CMP361 Original Proposal or WACM1, | CMP362 and each of the WACMs are required to facilitate their respective CMP361 Original/WACM |
|---|--|---|

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|---|---|--|
|   | WACM2, WACM3, WACM4, WACM5 or WACM6 better facilitates the Applicable Objectives? | proposals and so better facilitate applicable objective (d). |
| 2 | Do you support the proposed implementation approach?                              | Yes.   |
| 3 | Do you have any other comments?   | No.  |