

# CMP395 Workgroup 1

**22 August 2022**

**Online Meeting via Teams**

# WELCOME

A wide-angle landscape photograph featuring a valley with a winding river and several bright, glowing orange-yellow lines that curve across the terrain, suggesting energy or data flow. In the background, large, rugged mountains are partially covered in snow under a dramatic, cloudy sky with sunlight breaking through.

**nationalgrid**ESO





# Modification Process

Paul Mullen - National Grid ESO Code Administrator

# Code Modification Process Overview



Talk to us

Forums



Raise a  
mod

Panels



Refine  
solution

Workgroups  
(Workgroup Consultations)



Consult



Decision

Ofgem/Panel



Implement



# Refine solution

## Workgroups



- If the proposed solution requires further input from industry in order to develop the solution, a Workgroup will be set up.
- The Workgroup will:
  - further refine the solution, in their discussions and by holding a **Workgroup Consultation**
  - Consider other solutions, and may raise **Alternative Modifications** to be considered alongside the Original Modification
  - Have a **Workgroup Vote** so views of the Workgroup members can be expressed in the Workgroup Report which is presented to Panel



# Consult

## Code Administrator Consultation

- The Code Administrator runs a consultation on the **final solution(s)**, to gather final views from industry before a decision is made on the modification.
- After this, the modification report is voted on by Panel who also give their views on the solution.







# Decision



- Dependent on the Governance Route that was decided by Panel when the modification was raised
- **Standard Governance:** Ofgem makes the decision on whether or not the modification is implemented
- **Self-Governance:** Panel makes the decision on whether or not the modification is implemented
  - an appeals window is opened for 15 days following the Final Self Governance Modification Report being published



# Implement

- The Code Administrator implements the final change which was decided by the Panel / Ofgem on the agreed date.







# Objectives and Timeline

Paul Mullen - National Grid ESO Code Administrator

# Timeline for CMP395 – Proposed Urgent Timeline - Workgroup

Milestone	Date	Milestone	Date
Modification presented to Panel	16 August 2022 (9am)	Code Administrator Consultation (3 working days)	13 September 2022 (12pm) to 16 September 2022 (5pm)
Workgroup Nominations (3 working days)	16 August 2022 (12pm) to 19 August 2022 (5pm)	Draft Final Modification Report (DFMR) issued to Panel	20 September 2022
Ofgem grant Urgency	19 August 2022 (5pm)	Panel undertake DFMR recommendation vote	21 September 2022 (before 12pm)
Workgroup 1 and 2 (assuming Ofgem have granted Urgency) – education, assess proposed cap and limit and identify potential alternatives, review analysis, draft legal text finalise Workgroup Consultation	22 and 24 August 2022	Final Modification Report issued to Panel to check votes recorded correctly	21 September 2022 (2pm to 4pm)
Workgroup Consultation (4 working days)	26 August 2022 (9am) to 1 September 2022 (5pm)	Final Modification Report issued to Ofgem	21 September 2022 (4pm)
Workgroups 3 and 4 - Assess Workgroup Consultation Responses, finalise solutions and Workgroup Vote	5 and 8 September 2022	Ofgem decision	By 28 September 2022 (5pm)
Workgroup report issued to Panel	12 September 2022	Implementation Date	30 September 2022
Panel sign off that Workgroup Report has met its Terms of Reference	13 September 2022 (Before 10am)		

The slide features several decorative yellow lines. In the top left, there are several thin, curved lines that sweep across the upper portion of the slide. In the bottom right, there are three thick, parallel diagonal lines that extend from the bottom left towards the top right. Additionally, a single thick yellow line runs horizontally across the bottom of the slide, just above the logo.

# Workgroup Responsibilities

Paul Mullen - National Grid ESO Code Administrator



## Expectations of a Workgroup Member

Contribute to the discussion

Be respectful of each other's opinions

Language and Conduct to be consistent with the values of equality and diversity

Do not share commercially sensitive information

Be prepared - Review Papers and Reports ahead of meetings

Complete actions in a timely manner

Keep to agreed scope

## Your Roles

Help refine/develop the solution(s)

Bring forward alternatives as early as possible

Vote on whether or not to proceed with requests for Alternatives

Vote on whether the solution(s) better facilitate the Code Objectives

# Workgroup Alternatives and Workgroup Vote - Process

Paul Mullen - National Grid ESO Code Administrator

# Can I vote? and What is the Alternative Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings

## Stage 1 – Alternative Vote

- Vote on whether Workgroup Alternative Requests should become Workgroup Alternative CUSC Modifications.
- The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.
- **Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the CUSC objectives than the Original then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative CUSC modification (WACM) and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.**



# Can I vote? and What is the Workgroup Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings

## Stage 2 – Workgroup Vote

- 2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC)
- 2b) Vote on which of the options is best.

# Terms of Reference

Paul Mullen - National Grid ESO Code Administrator

# CMP395 – Terms of Reference

Workgroup Term of Reference	Location in Workgroup Report (to be completed at Workgroup Report stage)
a) Consider EBR implications	
b) Consider whether or not a £10/MWh cap on BSUoS is appropriate or justify if another £/MWh cap is more appropriate	
c) Consider if the £10/MWh cap on BSUoS should be in place from 1 October 2022 to 31 March 2023 or a different time period	
d) Consider the impacts on Generators, Suppliers and Consumers of deferring the additional BSUoS costs above the cap to the 2023/24 charging year	
e) Consider the limit on the total BSUoS costs that would be deferred that is feasible and realistic	
f) Consider cost to the ESO of any BSUoS recovery mechanism vs benefit	
g) Consider how costs should be recovered and from whom e.g. should Generators pay for deferred costs?	
h) Consider invoicing / billing timeline in the context of the Implementation Date	



# Proposer's Solution

**Graz Macdonald – Waters Wye Associates (on behalf of Scott Keen, Saltend Cogeneration Company Ltd )**

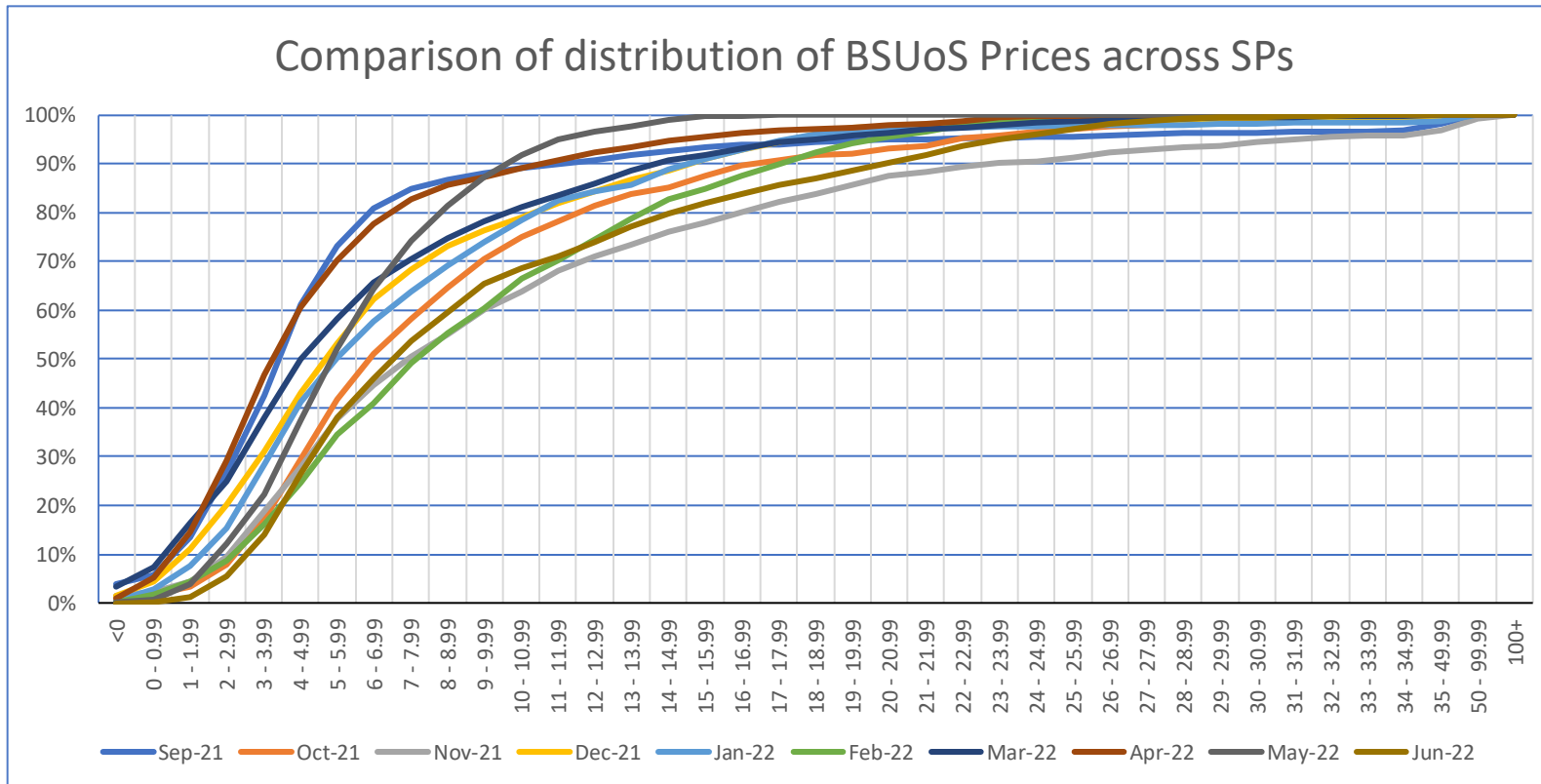
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# BSUoS Cap Analysis

Claire Huxley – National Grid ESO

# Do we need to consider a price cap?

	£10/MWh cap	£15/MWh cap	£20/MWh cap	£25/MWh cap
2017-2021	5%	2%	1%	0%
2021	11%	5%	3%	2%
Autumn 2021	26%	15%	9%	6%
Jan – Mar 2022	29%	12%	4%	2%
Apr – Jun 2022	20%	9%	5%	1%
2022 (Jan – Jul)	26%	11%	5%	2%



- The table indicates % of Settlement Periods (SP) affected by different price caps
- The proposer suggests a £10/MWh price cap based on the estimated BSUoS charge central for 2022-23
- During the period 2017-2021, a price cap of £10/MWh would typically have affected around 5% of Settlement Periods
- This indicates that such SPs are not unforeseen, as based on the historical average more than one SP reaches £10/MWh per day
- In Autumn 2021 and in Jan – Jul 2022, a £10/MWh cap would have affected around 26% of SPs
- In Q1 2022, 29% of SPs would have been affected by the same cap, and for February 2022 it would have been 40%
- That means such a cap is no longer affecting “exceptional” settlement periods
- Where previously a £10/MWh was used for COVID, that affected around 7% of SPs in that period
- To affect an equivalent amount of SPs, a cap in the range of £20-£25/MWh would have been needed in Autumn 2021, and a range of £15-£20/MWh for Q2 2022



# Deferred BSUoS costs of different price caps

- High BSUoS costs are driven by a small number of particularly high cost Settlement Periods (SPs)
- Since April 2017, only 106 SPs have had a BSUoS cost above £50/MWh
- If a £50/MWh cap had been put in place from 1<sup>st</sup> Sep – 24<sup>th</sup> Nov 2021, **£58.3m** of BSUoS costs would have been deferred over 70 SPs
- The upper table for 2021 shows that extremely large amounts would have been deferred with a sub £20/MWh cap
- During Jan – Mar 2022, when a £20/MWh was in place for CMP381, **£43.9m** in BSUoS charges was deferred
- If the same cap had also been applied to Oct – Dec '21, a total of over **£211m** would have been deferred for Oct '21 – Mar '22 (CMP395 proposes Oct '22 – Mar '23)
- June and July saw big spikes in BSUoS charges, most notably on 20 July when balancing costs amounted to **£64m** compared to **£2m** for the same day a week later
- The deferred charges for 2022/23 in the lower table are based on the recent September forecast, including the winter contingency contracts, and scales the SPs from the same period last year to give an indication of expected deferred BSUoS costs
- Taking into consideration balancing cost data from 2021 to date and the forecasts for 2022/23, any cap would need to fit within the agreed overall liability for NGESO
- Wider questions of what is considered 'exceptional' and the impact of deferred payments on future BSUoS charges

2021 BSUoS Charges by Month		Amounts that would have been deferred under different cap values (£/MWh)							
Month	Billed Total	£5 Cap	£10 Cap	£12 Cap	£15 Cap	£20 Cap	£25 Cap	£30 Cap	£35 Cap
April	£155,614,544	£23,540,569	<b>£11,461,548</b>	£10,080,242	£8,530,180	<b>£5,950,753</b>	£3,815,762	£2,005,890	£999,786
May	£177,780,449	£26,485,069	<b>£3,621,659</b>	£1,328,337	£115,300	<b>£0</b>	£0	£0	£0
June	£161,772,879	£18,219,921	<b>£1,953,893</b>	£808,215	£33,678	<b>£0</b>	£0	£0	£0
July	£156,731,953	£12,907,044	<b>£942,707</b>	£209,167	£0	<b>£0</b>	£0	£0	£0
August	£213,257,976	£51,837,998	<b>£14,714,037</b>	£9,892,154	£5,016,987	<b>£1,251,172</b>	£227,277	£0	£0
September	£264,544,266	£126,411,853	<b>£89,125,348</b>	£80,661,250	£70,273,103	<b>£57,111,226</b>	£46,275,422	£37,081,042	£29,249,520
October	£352,043,857	£163,844,809	<b>£70,917,604</b>	£52,079,889	£32,957,154	<b>£15,031,674</b>	£5,357,959	£1,271,244	£94,453
November	£571,767,208	£366,001,819	<b>£245,754,573</b>	£213,600,860	£177,040,515	<b>£135,623,471</b>	£109,982,798	£91,415,209	£78,116,020
December (up to 8th)	£122,066,280	£62,256,630	<b>£32,173,442</b>	£26,048,194	£20,247,243	<b>£16,118,340</b>	£14,306,166	£12,645,606	£11,078,950
Total	£2,175,579,410	£851,505,711	<b>£470,664,810</b>	£394,708,308	£314,214,160	<b>£231,086,636</b>	£179,965,384	£144,418,990	£119,538,729

2022/23 BSUoS Charges by Month		Amounts that would be deferred under different cap values based on latest forecast data including winter contingency (£/MWh)							
Month	Sept Forecast Values	£10 Cap	£20 Cap	£25 Cap	£30 Cap	£35 Cap	£40 Cap	£45 Cap	£50 Cap
Oct-22	£ 546,705,495.00	<b>£198,665,610.91</b>	£ 70,773,984.00	£ 43,094,187.91	£ 26,247,051.81	£ 14,191,499.67	£ 6,965,372.00	£ 2,761,257.54	£ 881,273.21
Nov-22	£ 740,247,253.00	<b>£376,592,085.91</b>	£ 221,392,972.02	£179,680,655.40	£ 151,615,573.76	£ 130,107,583.81	£ 113,394,665.61	£ 100,568,734.29	£ 89,131,203.90
Dec-22	£ 726,005,495.00	<b>£330,701,782.55</b>	£ 160,650,717.64	£115,791,839.70	£ 85,480,569.77	£ 67,420,505.43	£ 57,529,052.11	£ 51,747,089.83	£ 46,427,373.57
Jan-23	£ 631,005,495.00	<b>£246,604,830.53</b>	£ 114,839,605.02	£ 86,624,614.95	£ 72,095,900.63	£ 63,434,921.56	£ 56,006,218.31	£ 49,587,131.07	£ 44,183,577.06
Feb-23	£ 587,130,769.00	<b>£231,534,184.56</b>	£ 67,898,299.85	£ 31,656,102.92	£ 11,652,050.82	£ 3,010,004.12	£ 254,505.08	£ -	£ -
Mar-23	£ 532,805,495.00	<b>£204,658,758.39</b>	£ 78,201,337.66	£ 46,797,795.23	£ 27,701,809.41	£ 16,132,775.66	£ 8,836,818.27	£ 4,461,247.78	£ 2,241,972.28
Total	£3,763,900,002	<b>£1,588,757,253</b>	£713,756,916	£503,645,196	£374,792,956	£294,297,290	£242,986,631	£209,125,461	£182,865,400

# Impact on Default Tariff Cap?

All

# Cross Code Impacts?

All

# Potential Workgroup Alternatives?

All

# Potential Workgroup Consultation Questions?

All



# Next Steps

Paul Mullen - National Grid ESO Code Administrator