

CMP395 Workgroup 2

24 August 2022

Online Meeting via Teams

WELCOME



nationalgridESO



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)		

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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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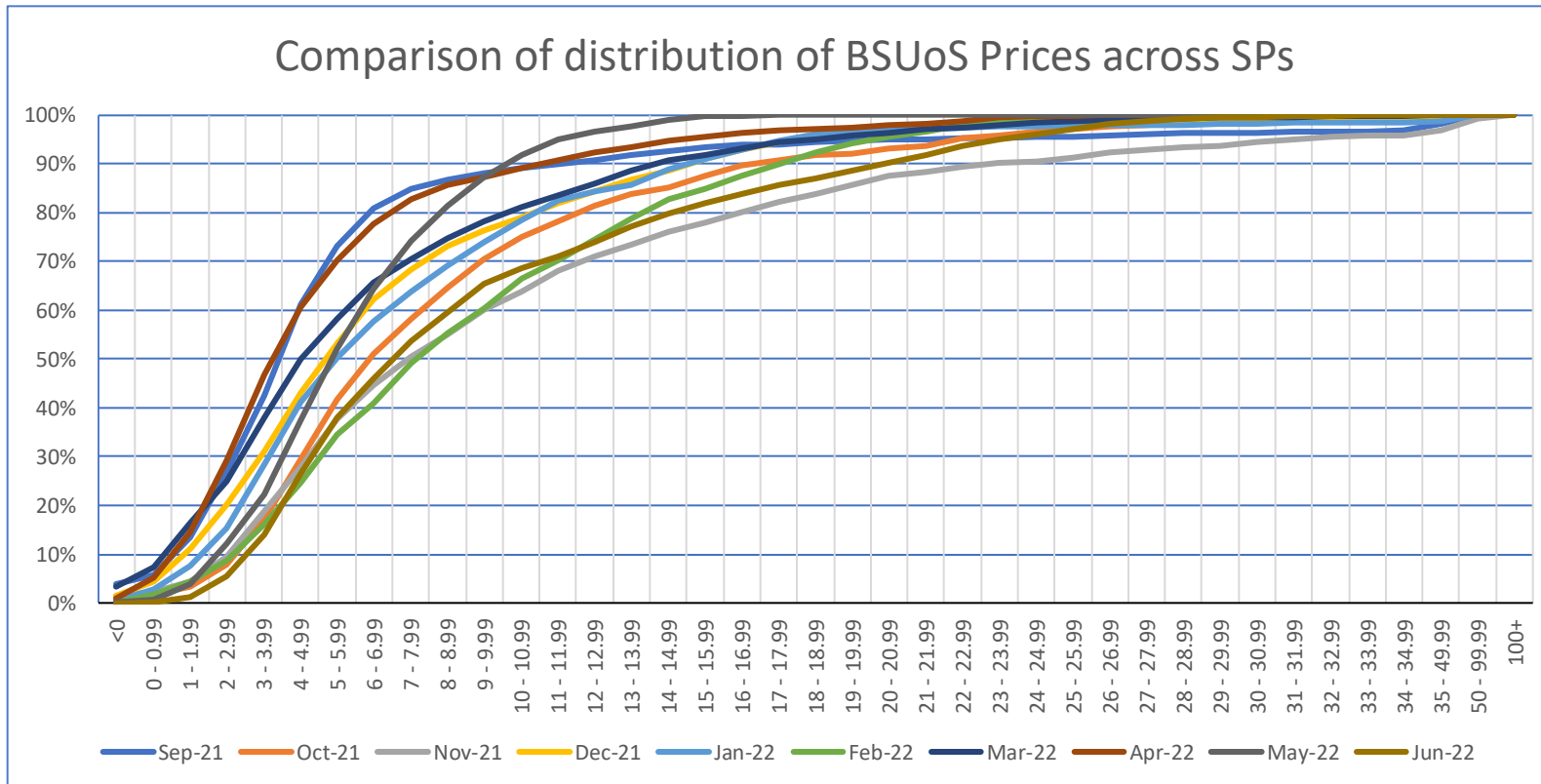
ESO update on analysis presented at Workgroup 1

- Assumptions
- How much of the limit was utilised under previous BSUoS Caps

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 1st Sep – 24th 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	£11,461,548	£10,080,242	£8,530,180	£5,950,753	£3,815,762	£2,005,890	£999,786
May	£177,780,449	£26,485,069	£3,621,659	£1,328,337	£115,300	£0	£0	£0	£0
June	£161,772,879	£18,219,921	£1,953,893	£808,215	£33,678	£0	£0	£0	£0
July	£156,731,953	£12,907,044	£942,707	£209,167	£0	£0	£0	£0	£0
August	£213,257,976	£51,837,998	£14,714,037	£9,892,154	£5,016,987	£1,251,172	£227,277	£0	£0
September	£264,544,266	£126,411,853	£89,125,348	£80,661,250	£70,273,103	£57,111,226	£46,275,422	£37,081,042	£29,249,520
October	£352,043,857	£163,844,809	£70,917,604	£52,079,889	£32,957,154	£15,031,674	£5,357,959	£1,271,244	£94,453
November	£571,767,208	£366,001,819	£245,754,573	£213,600,860	£177,040,515	£135,623,471	£109,982,798	£91,415,209	£78,116,020
December (up to 8th)	£122,066,280	£62,256,630	£32,173,442	£26,048,194	£20,247,243	£16,118,340	£14,306,166	£12,645,606	£11,078,950
Total	£2,175,579,410	£851,505,711	£470,664,810	£394,708,308	£314,214,160	£231,086,636	£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	£198,665,610.91	£ 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	£376,592,085.91	£ 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	£330,701,782.55	£ 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	£246,604,830.53	£ 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	£231,534,184.56	£ 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	£204,658,758.39	£ 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	£1,588,757,253	£713,756,916	£503,645,196	£374,792,956	£294,297,290	£242,986,631	£209,125,461	£182,865,400

ESO update on Limit they can finance

Claire Huxley – National Grid ESO

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ESO update on Implementation challenges

Claire Huxley – National Grid ESO

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Any Licence implications?

Claire Huxley – National Grid ESO

Options re: recovery from Generators

All

CMP308 is implemented 1 April 2023 – how do we recover deferred costs from Generators?

Option Number	Option Detail	Thoughts
1	Via the existing BSUoS reconciliation runs for the charging year 2022/2023 which will take place in 2023	If this was done because the BSUoS costs relate to 22/23, from an accounting point of view they will be classed as BSUoS costs for 22/23 even if paid at a later date in a different charging year. Does this therefore make any benefit, only a cashflow benefit as you will still effectively be paying high BSUoS unpredictable costs, just split up between years. There therefore is no relief. A follow on question, will you then cap your BSUoS forecast at £10MW/h in Offers and Bids if that doesn't relate to the actual BSUoS charge you will eventually have to pay for that same period?
2	Move the revenues deferred from 2022/2023 into the 2023/2024 BSUoS costs and charge Generators the BSUoS charge in 2023/2024	In line with recovery principle under CMP345, CMP350 and CMP381; however Generators don't pay BSUoS from 1 April 2023 due to CMP308 and there would be ESO system implications
3	Use the existing legacy billing system just to bill Generators the deferred BSUoS amounts from 22/23 for the charging year 23/24 based on the new volumes for 23/24, and use the new billing system to charge all other BSUoS costs plus the deferred amount for Suppliers/Final Demand	Liabilities from 2022/2023 will potentially be paid for by other Generator users but is in line with recovery principle under CMP345, CMP350 and CMP381.

Impact on Default Tariff Cap?

All

Potential Workgroup Alternatives?

All

Workgroup Consultation Questions

All

Next Steps

Paul Mullen - National Grid ESO Code Administrator

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