

**Workgroup Consultation Response Proforma****CMP395: Cap BSUoS costs and Defer payment to 2023/24 to protect GB customers**

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 01 September 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 Paul Mullen [Paul.j.mullen@nationalgrideso.com](mailto:Paul.j.mullen@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com)

Respondent details	Please enter your details
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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:**

- 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;*
- 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.*

*\*The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.*

**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>Mark the Objectives which you believe each solution better facilitates:</p> <p>Original      <input checked="" type="checkbox"/> A    <input type="checkbox"/> B    <input type="checkbox"/> C    <input type="checkbox"/> D    <input type="checkbox"/> E</p> <p>Yes, SPR believes that the original proposal better facilitates against objective A.</p> <p>Objective A – Facilitates Competition:</p> <p>Recent developments have driven balancing costs to a level higher than what could have been forecast or expected. The proposed BSUoS cap could offer additional protection against the volatility expected over the winter period. A reduction in the risk premia, could feed through via some generators and suppliers to lower the costs faced by customers. The delayed cost could offer suppliers and generators that are struggling the opportunity to recover this portion of BSUoS back in potentially more favourable market conditions during 23/24.</p> <p>Objectives B, C, D &amp; E – Neutral</p>
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>SPR are in agreement with the proposed implementation of 30<sup>th</sup> of September, with the cap being applied from 1<sup>st</sup> of October to 31<sup>st</sup> of March 2023.</p>
3	Do you have any other comments?	See below.
4	Do you wish to raise a Workgroup Consultation Alternative Request for	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>N/A</p>

	the Workgroup to consider?	
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Specific Workgroup Consultation questions		
1	The CMP395 Original proposes to set a £15/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>SPR believe it is appropriate to set a BSUoS cap to for the proposed period 1<sup>st</sup> of October to the 31<sup>st</sup> of March.</p> <p>SPR are in support of the original proposal which recommends a value of £15/MWh (<i>In line with the median of the most recent BSUoS forecast – September 22</i>). We recognise the analysis presented to the workgroup, suggesting a higher cap could be required. However, ‘lessons learned’ from previous BSUoS mods (CMP345, 350 and 381), indicate that a prudent approach has limited the utilisation of the overall cap liability. The highest reached was c. 22% (CMP381).</p> <p>To ensure the greatest possible benefit is passed through, we feel that a cap of £15/MWh is justified.</p>
2	Do you think it is appropriate to introduce a rules based re-assessment of the BSUoS cap on utilisation against the limit of the additional BSUoS costs that would be deferred. If so, on what basis? Please provide the rationale for your response.	<p>SPR do not believe that it is appropriate to introduce a rules based re-assessment during the period of the BSUoS cap.</p> <p>Although this could be possible, this will undermine the benefit of the cap lowering the associated risk premia and retain uncertainty for generators and suppliers in the market.</p>
3	The CMP395 Original seeks to defer the additional BSUoS costs above the cap to the 2023/2024 charging year. Recovery of the deferred costs is proposed to commence from 1 April 2023. Do you agree with this approach? Please provide	SPR are in agreement that the additional deferred BSUoS cost should be recovered in the 23/24 charging year. This deferral will help smooth the BSUoS cost incurred over the winter period.

	rationale for your response.	
4	CMP308 comes into effect on 1 April 2023 and removes the payment of BSUoS from Generators. Against this backdrop, the Workgroup have considered options to recover deferred costs from Generators from 1 April 2023. Do you support any of the options proposed?. Please provide justification for your response.	SPR believe generators should pay their fair share of BSUoS costs until the 1 <sup>st</sup> of April 2023.
5	Do you think it is appropriate to introduce a Supplier BSUoS cap only or a BSUoS cap for Suppliers and Generators?. Please provide the rationale for your response.	SPR are cautious of the 'supplier' only cap. It does not appear appropriate to provide a BSUoS cap to one group of stakeholders given the circumstances. All BSUoS paying parties should be targeted to benefit from the potential risk reduction, avoiding any market distortions.
6	The CMP395 Original seeks to limit the additional BSUoS costs that would be deferred to £250m. Do you think it is appropriate to introduce a limit and if so to what value? Please provide the rationale for your response.	<p>SPR believe that the limit provided is in line with what the NGESO can reasonably provide. NGESO provided justification during the second workgroup of the factors limiting this amount. It was noted that to fund the £250m, NGESO is reliant on the NG Group to fund any regulatory timing risks.</p> <p>A higher limit could offer additional benefit, However this relies on the appropriate cap being set to utilise it the full amount. SPR recognise NGESO's limitations in providing the required credit.</p>
7	Do you agree that reporting of the percentage utilisation of the deferred amount should be in line with that introduced for CMP381. Please provide justification for your response.	<p>Yes, SPR agree with keeping approach in line with CMP381 - Weekly reporting of the percentage utilised and moving to daily once 60% of the total support has been used is adequate.</p> <p>This will provide industry updates that are consistent with what has been provided historically with CMP381, avoiding any potential confusion.</p>

8	<p>Does the CMP395 Original proposal or any of the potential alternative solutions impact your business and/or end consumers. If so, how?</p> <p><b>Confidential</b> <b>Information can be shared with Ofgem directly particularly where it relates to Ofgem's Urgency Criteria.</b></p>	<p>Yes, CMP395 will impact SPR. As stated above, this could defer potential BSUoS costs from over the winter period to be recovered in the financial year 23/24.</p>
9	<p>Do you support the view that CMP395 would mean reduced overall BSUoS costs (as a result of reduced risk premia) and therefore benefit consumers. Please provide the rationale for your response.</p> <p><b>Confidential</b> <b>Information can be shared with Ofgem directly particularly where it relates to Ofgem's Urgency Criteria.</b></p>	<p>SPR believe CMP395 could reduce the overall BSUoS costs. A cap will offer some generators and suppliers a limit which could reduce the risk premia included within their prices. Any reduction should reduce the overall BSUoS costs by passing through to consumers bills. However, it is worth noting depending on pricing strategies, generators and suppliers may have already locked in BSUoS assumptions, limiting their ability to respond.</p> <p>The deferred BSUoS portion of costs could offer support to suppliers and generators that are struggling during the winter period, better facilitating competition and allowing for recovery in 23/24.</p>