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Code Administrator Consultation Response Proforma

CMP441: Reducing the credit risk of supplying non-embedded hydrogen electrolyzers

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 usc.team@nationalenergyso.com by **5pm** on **19 November 2024**. 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 Ren Walker Lurrentia.walker@nationalenergyso.com or usc.team@nationalenergyso.com

Respondent details	Please enter your details	
Respondent name:	Paul Mott	
Company name:	NESO	
Email address:	Paul.mottl@nationalenergyso.com	
Phone number:	07752987992	
Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input checked="" type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

I wish my response to be:

(Please mark the relevant box)

☒ **Non-Confidential** (*this will be shared with industry and the Panel for further consideration*)

☐ **Confidential** (*this will be disclosed to the Authority in full but, unless specified, will not be shared with the Panel or the industry for further consideration*)

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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.*

**The Electricity Regulation referred to in objective (c) 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 Code Administrator Consultation questions		
1	Please provide your assessment for the proposed solution against the Applicable Objectives?	Mark the Objectives which you believe the proposed solution better facilitates:
		Original <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D
		Provides consistency with the DCUSA for newly directly-connected supply, and may facilitate more competition in Supply in some circumstances, as the Supplier doesn't have to carry non-payment credit risk for approx. 6 to 8 extra days (above what arises from the Electricity Act) for the site (<i>or ask for more cash or letter of credit etc up front from customers to cover such risk</i>). For new directly-connected demand sites, any "downstream customers" as described in the CUSC (<i>other firms that are embedded on the new Tx-connected site</i>) on such sites being developed as from now, will be aware if CMP441 is approved, that if the main site doesn't pay the Supplier, the Electricity Act 1989 after 28 days allows the Supplier to ask the ESO to tell the TO to disconnect without undue delay, and the protections for legacy directly-connected sites with a downstream customer will not apply. The embedded other firm is choosing to embed on the site and can be viewed as cognisant of and accepting the risk. The reason a WACM to CMP254 was passed was to give protection to legacy downstream customers on legacy directly-connected sites (such existing sites are unaffected by this mod).

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		NESO doesn't think there is anything unique about electrolyzers, so the title of the mod and its pre-ambles referring extensively to electrolyzers seems to us a little sub-optimal, but the workings of the proposal, which are not technology-discriminatory in its relaunched form, are appropriate and reasonable, and may slightly help facilitate more competition in Supply. We therefore offer our support in that the mod slightly better meets CAO (B).
2	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>No systems changes are needed at NESO in relation to this mod, were it to be approved. It just puts all directly-connected sites on the same footing in the event the site stops paying its Supplier for 28 days.</p>
3	Do you have any other comments?	<p>Yes. I should have advised this previously – the legal review here has identified that in the new phrase used twice in the mod, two terms that according to our practice should be in bold, because they are defined terms, are not in bold; also, the formulation of the implementation date is regarded as not optimal as it includes an absolute date, 25th January 2025. Any mention of an absolute date carries with it the “timing out” risk that was manifest in a past BSC modification, to bring in zonal losses, that failed at a judicial review. Whilst that risk was modest in this case due to the words used, it is recommended to use the wording below for the two new blocks of text, in place of that used in the mod :</p> <p>“Save for Non-Embedded Customers with Connection Sites connected on or after the date of implementation of CMP441 as determined by the Authority,”</p> <ul style="list-style-type: none"> - I have attached for code governance's use a marked-up copy of all of CUSC section 3 showing the changes in their context, as per usual practice.

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4	Do you agree with the Proposer's assessment that the modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Click or tap here to enter text.