

## CUSC Workgroup Consultation Response Proforma

### **CMP311 Reassessment of CUSC credit requirements for Suppliers, specifically for “User Allowed Credit” as defined in Section 3, Part III section 3.27 of the CUSC**

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 by **29 October 2019** to [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com) Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

Any queries on the content of the consultation should be addressed to Chrissie Brown at [christine.brown1@nationalgrideso.com](mailto:christine.brown1@nationalgrideso.com)

These responses will be considered by the Workgroup at their next meeting at which members will also consider any Workgroup Consultation Alternative Requests. Where appropriate, the Workgroup will record your response and its consideration of it within the final Workgroup Report which is submitted to the CUSC Modifications Panel.

<b>Respondent:</b>	<i>Karl Maryon (karl.maryon@havenpower.com)</i>
<b>Company Name:</b>	<i>Haven Power Ltd</i>
Please express your views regarding the Workgroup Consultation, including rationale.  (Please include any issues, suggestions or queries)	<b>For reference, the Applicable CUSC Objectives for the Use of System</b>  (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.  <i>*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).</i>

### **Standard Workgroup consultation questions**

1	<p><b>Do you believe that CMP311 Original proposal (revised since originally proposed to just remove the Payment Record Sum) better facilitates the Applicable CUSC Objectives than current arrangements?</b></p>	<p>We are not convinced there is a defect with the current arrangements that this proposal satisfactorily resolves. The analysis undertaken by the workgroup clearly shows the historical cost of the failures to date is less than the cost of lodging credit cover to replace the Payment Record Allowance.</p> <p>As the costs from a failed supplier are eventually recovered under current arrangements, we believe that on balance the introduction of CMP 311 would be detrimental to Smaller Suppliers competing in and entering the market.</p> <p>We therefore do not see CMP 311 better facilitating the following Applicable CUSC Objectives:</p> <ul style="list-style-type: none"> <li>(a) The proposal is negative against applicable objective A. It has not demonstrated an efficient discharging of the licensee's obligations as the evidence presented clearly shows the historical cost of failures is less than the additional costs that would be placed on market participants. This is clearly a less efficient outcome than maintaining the baseline arrangements.</li> <li>(b) The proposal is also negative against applicable objective B. It does not facilitate competition and would not benefit consumers. It follows that the additional costs of the proposal would have a detrimental impact on competition particularly upon smaller suppliers. The proposal also has the effect of increasing the barriers to entry for new entrants who may be offering new and innovative products or services to consumers.</li> <li>(c) - Not applicable</li> <li>(d) There was no compelling evidence that compared to the baseline there would be a decrease in the administrative burden or more efficient application of the CUSC arrangements. There was no evidence of the savings that would be passed on to consumers from any NGSO administrative efficiencies deriving from the proposal. We would expect that any NGSO efficiency would not offset the increase in costs to consumers of the revised credit arrangements</li> </ul>
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		and the negative impact this proposal has on competition.
2	<b>Do you support the proposed implementation approach, both in terms of allowing at least 12 months to make arrangements and the Workgroup suggestion to commence in April with the Financial Year?</b>	If CMP 311 is implemented the proposed implementation approach is sensible.
3	<b>Do you have any other comments?</b>	As stated in 1) above, we do not believe there is a defect or that it is addressed positively by this proposal. We understand the proposer's rationale for revising the original proposal but cannot support this proposal that increases costs and impacts competition. This is not in the interests of consumers. We would urge the proposer to focus on the issues with under forecasting of demand and bringing forward any credit penalties which were raised by the workgroup.
4	<b>Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?</b>	No.

#### Specific questions for CMP311

Q	Question	Response
5	<b>What impact do you think this modification would have on suppliers entering the market?</b>	As stated earlier, we believe CMP 311 would have a negative effect on Supplier's entering the market. This measure could stifle innovation and choice for consumers and is detrimental compared to the current arrangements
6	<b>What impact do you think this modification would have on existing suppliers and what would be the cost to your business?</b>	Some suppliers will incur additional costs in securing additional credit cover and this is likely to be reflected in increased costs to the consumer.
7	<b>Two potential solutions other than that Proposed have been discussed by the Workgroup, what are your views on these?</b>	If CMP 311 is implemented, it is sensible to allow 24 or 36 months of Payment Record Allowance otherwise it will deter new suppliers from entering the market. We would recommend that these options are reviewed by the workgroup.

Q	Question	Response
8	<b>What impact do you believe this modification would have on the Consumer?</b>	We believe implementing CMP 311 will limit competition as new suppliers will find it harder to enter the market and lead to higher prices, as existing suppliers will have to lodge additional credit cover, the cost of which will be passed to consumers.