

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 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

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.

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| Respondent: | <i>Simon Bateman</i> <i>Email: simon.bateman@engie.com</i> |
| Company Name: | <i>ENGIE Power Limited</i> |
| Please express your views regarding the Workgroup Consultation, including rationale. (Please include any issues, suggestions or queries) | For reference, the Applicable CUSC Objectives for the Use of System (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

| Q | Question | Response |
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| 1 | 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? | <p>It is not clear that removing the Payment Record Sum better facilitates the applicable CUSC objectives than the current arrangements.</p> <p>Specifically, removing the Payment Record Sum option risks increasing the likelihood of existing supplier failures and may introduce a new barrier to entry for potential new suppliers.</p> <p>It is also not clear that the proposed change would better facilitate effective competition.</p> |
| 2 | 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? | <p>We would support the introduction of any change no earlier than the first April occurring at least 12 months after an OFGEM decision.</p> |
| 3 | Do you have any other comments? | <p>Under the existing arrangements the System Operator should be able to recover any costs arising as a result of supplier failures as long as they can demonstrate that they have followed the current guidelines, albeit this is likely to result in a temporary adverse impact of its cashflow position.</p> <p>As discussed by the workgroup, addressing issues arising from systematic under-forecasting by suppliers should help to reduce the System Operator's exposure.</p> |
| 4 | Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider? | No |

Specific questions for CMP311

| Q | Question | Response |
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| 5 | What impact do you think this modification would have on suppliers entering the market? | We believe that this modification may act as a barrier to entry for potential new suppliers as they would not be able to rely on building up a good payment record to avoid the obligation to provide collateral to the System Operator to cover TNUoS and BSUoS liabilities over the first few years of their business. |
| 6 | What impact do you think this modification would have on existing suppliers and what would be the cost to your business? | <p>We believe that this modification may increase the likelihood of existing supplier failures.</p> <p>Based on the current proposal we would not anticipate a material increase in direct cost to our business.</p> |
| 7 | Two potential solutions other than that Proposed have been discussed by the Workgroup, what are your views on these? | <p>Either of the two potential alternative solutions should help to mitigate the potential adverse impact on new suppliers of the proposed change.</p> <p>Option 2 should ensure that all suppliers are treated equally and would avoid the introduction of a “cliff edge” for suppliers when they pass their second/third anniversary.</p> |
| 8 | What impact do you believe this modification would have on the Consumer? | Based on the information available it is not possible to determine whether this modification would reduce costs to the consumer or to quantify any potential reduction. |