

**CUSC Workgroup Consultation Response Proforma****CMP345: 'Defer the additional Covid BSUoS costs'**

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 3 June 2020**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

If you have any queries on the content of this consultation please contact Paul Mullen at [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         |
|-------------------------|-----------------------------------|
| <b>Respondent name:</b> | Alison Meldrum                    |
| <b>Company name:</b>    | Tata Steel                        |
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**CMP345**

**For reference the applicable CUSC Charging objectives are:**

| Relevant Objective   |
|--|
| (a) 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;   |
| (b) 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); |
| (c) 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;   |
| (d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1 *; and  |
| (e) To promote efficiency in the implementation and administration of the CUSC arrangements  |

**Please express your views regarding the Workgroup Consultation in the right-hand side of the table below, including your rationale.**

| CMP345 - Standard Workgroup Consultation questions |  |  |
|--|--|--|
| 1  | Do you believe that the CMP345 Original Proposal better facilitates the Applicable CUSC Charging Objectives?   | Yes  |
| 2  | Do you support the proposed implementation approach for CMP345?  | Yes  |
| 3  | Do you have any other comments?  | We are concerned to see emphasis on the escalated costs to suppliers and generators when these costs are ultimately passed to consumers. We also need to correct an observation noted in the workgroup notes that Industrial and Commercial users were the cause of the current issue. Many of our facilities continued to run 24 hours a day, hence support the electricity system as well as essential national supply chains. |
| 4  | Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?   | No   |
| Specific Workgroup Consultation Questions          |  |  |
| 5  | Do you believe it is necessary to define Covid related costs for the purposes of BSUoS charging as a result of this Modification proposal? Please provide rationale to support your response.          | Yes. In order to control costs being passed through to consumers it is essential for the Covid costs to be defined.  |
| 6  | Do you agree with the Original Proposal (and each of the potential alternatives) as to what constitutes Covid related costs? Please provide rationale to support your response.                        | Yes, although somewhat frustrating to see the risk of high additional costs potentially levied on high baseload industrial users such as steelmakers, with generators being paid to constrain their output.  |
| 7  | Do you think any deferral of Covid costs should be i) within the 2020/2021 Charging Year only, ii) deferred to the 2021/2022 Charging Year or iii) deferred to 2022/2023 Charging Year or iv) deferred | We agree with deferment and moving costs out of the immediate period in higher use periods, whether to a Winter or across years.   |

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|    | equally across the 2021/2022 and 2022/2023 Charging Years? Please provide rationale to support your response.   |  |
| 8  | Do you consider it appropriate to smear the entire deferred Covid costs equally across the whole of a Charging Year e.g. 2021/2022 or target the deferred Covid costs to the equivalent Settlement Periods in 2020/21 in which Covid costs arose? If the charge was to be applied equally across a Charging Year should that be on a per Settlement period only basis or on a per MWh basis? Please provide rationale to support your response. | <p>We understand the current issues are caused by a widespread societal issue ( rather than a combination of a drop in industrial demand at certain periods of the day and high output from generation technologies in other).</p> <p>The concept of smearing the costs across all settlement periods seems fair and appropriate. Focussing Covid costs into the same settlement periods in which the costs arose ( in low demand periods ) would presumably give a price signal to reduce demand risk repetition of the same issue?</p> |
| 9  | Do you consider it appropriate to codify a capped figure for the Covid costs to be deferred? If so, based on the information available, what value do you believe it should be? Please provide rationale to support your response.  | Direct Covid costs should be identified but we are not sure how a cap could be codified at this stage.   |
| 10 | Do you agree that the period to be covered for deferral of Covid costs should be limited to those incurred up to 31 August 2020?  | Direct Covid costs should be identified but we are not sure how they can be time-limited at this stage.  |
| 11 | Do you think the impact of the Covid pandemic on BSUoS is sufficient to justify a different approach to charging BSUoS in advance of the second BSUoS Taskforce completing its work? Bearing in mind the short timescale for implementation do you agree with the approach in the option outlined above? Please provide a rationale with your response.   | Consideration needs to be given to how BSUoS will provide the signals to the demand side for system management. Levying peaking BSUoS costs into low demand periods seems counter-intuitive as the demand side would need the opposite signal ?  |

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| 12 | Do you agree with the financing options set out above? Is there another way? Please provide rationale to support your response.                                     | Click or tap here to enter text. |
| 13 | Do you agree with the impacts we have set out in this Workgroup Consultation? Have we missed any impacted parties? Please provide details to support your response. | Click or tap here to enter text. |