

CUSC Workgroup Consultation Response Proforma**CMP350: 'Changes to the BSUoS Covid Support Scheme'**

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 by **5pm** on **27 July 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 or cusc.team@nationalgrideso.com.

Respondent details	Please enter your details
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CMP350

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.

CMP350 - Standard Workgroup Consultation questions

1	Do you believe that the CMP350 Original Proposal better facilitates the Applicable CUSC Charging Objectives?	<p>No.</p> <p><u>A – Competition</u> The CMP350 original proposal is anti-competitive. The proposal is merely an extension of CMP345, being a transfer for wealth from one party to another without sufficient warning for participants to adjust their commercial positions thus eroding competition by creating winners and losers.</p> <p><u>B – Cost reflectivity</u> Clearly not, by deferring the costs and smearing them across future periods and participants the proposal is not cost reflective. BSUoS is not in its nature a cost that can be accurately forecast. Participants should not be relying on past trends to predict the future and should absorb the short term volatility.</p> <p><u>C – Business Developments</u> N/A</p> <p><u>D - Regulation / Licence compliance</u> N/A</p> <p><u>E - Promoting Efficiency</u> Clearly a further change to a recent modification and uncertainty going forward does promote efficiency in the administration of the scheme.</p> <p>Click or tap here to enter text.</p>
2	Do you support the proposed implementation approach for CMP350?	<p>No. There needs to be greater notice for participants to adjust their actions and positions in advance of any material change in the rules. To take up to £10/MWh away from participants is unfair without due consideration as to how they might be able to recover this income.</p> <p>We continue not to agree with the deferral and mutualisation of costs to future market participants. This seeks to do this to a much greater extent than CMP345.</p>
3	Do you have any other comments?	<p>This appears to be nothing more than an abuse of process with participants being unhappy with the outcome of CMP345 and so are trying to prop up their P&Ls and cashflow statements at the expense of other existing and future participants.</p>

4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p>No, an alternative request is not necessary.</p> <p>CMP345 should suffice and provided market participants sufficient time and notice to adjust their commercial positions. To abandon the decision reached from CMP345 and move the goalposts to be further in favour of certain participants should not be entertained.</p>
Specific Workgroup Consultation Questions		
5	CMP350 Original proposes introducing a formal limit of £100m to the amount of Covid BSUoS Support Scheme costs which can be deferred. Do you agree that a formal limit of £100m should be introduced?	<p>CMP345 did not, and did consider it necessary to, introduce a formal cap. Nothing material has changed in the previous month since the modification came into force to question this decision.</p> <p>As of today, 27th July, and referring to the current published II BSUoS data the current amount of deferred costs is just shy of £6m one month into the approved rules. With two months to run and with an expectation that demand will increase it would not appear that the cap would be reached.</p> <p>Assuming there is no change in the £15/MWh cap then a £100m cap would be appropriate.</p>
6	The ESO has included some initial thoughts on how the process would work when the £100m Cap is being approached and when it is reached. Do you agree with this approach? Please provide the rationale for your response	<p>BSUoS is, by it's own nature, cost reflective and so it will be difficult to predict if and when the cap will be reached.</p> <p>There needs to be much greater clarification as to what notice will be provided to participants that the scheme will end and what will happen post scheme.</p> <p>We would suggest that once any cap is approached, to say 80%, that at least two week's notice is provided that the scheme will end.</p>
7	CMP345 introduced a £15/MWh cap for BSUoS. The CMP350 Original proposes to revise this cap to £5/MWh due to the increased frequency of BSUoS costs above £5/MWh. Do you think it is appropriate to revise the cap for BSUoS to below £15/MWh and if so to what value? Please provide the rationale for your response including any supporting analysis	<p>No, participants have already had to adjust their positions/actions to factor in the £15/MWh cap. A further reduction would create further uncertainty and create bigger winners and loser than already created by CMP345.</p>

8	<p>The Covid BSUoS support scheme introduced by CMP345 expires on 31 August 2020. The CMP350 Original proposes extending the expiry date to 30 September 2020 and a Workgroup Member has proposed extending this further to 25 October 2020. Do you think it is appropriate to extend the Covid BSUoS support scheme introduced by CMP345 and if so, to what date? Please provide the rationale for your response</p>	<p>A sensible solution at this point would be to formally extend CMP345 and the £15/MWh cap to 30 September 2020.</p> <p>This would give all participants enough forward visibility to see out the existing BSUoS charging regime and allow, hopefully, the short term effect of Covid-19 to be weathered.</p> <p>We do not consider it necessary to extend the scheme beyond 30 September as participants have had sufficient forecasts and updates from NGESO to acknowledge that Covid-19 will create more volatility in BSUoS pricing and actions.</p>
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