

Workgroup Consultation Response Proforma**CMP373 'Deferral of BSUoS billing error adjustment'**

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 **12pm on 4 May 2021**. 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 paul.j.mullen@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
Respondent name:	Daniel Parry
Company name:	Shell Energy UK
Email address:	Daniel.Parry@shellenergy.co.uk
Phone number:	Click or tap here to enter text.

I wish my response to be:

(Please mark the relevant box)

☒ Non-Confidential☐ Confidential

Note: A confidential response will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel, the Workgroup or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

For reference the Applicable CUSC (charging) Objectives are:

- 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;*
- 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);*
- 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;*
- Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency; and*
- Promoting efficiency in the implementation and administration of the system charging methodology.*

**Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).*

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

Standard Workgroup Consultation questions		
1	Do you believe that the CMP373 Original Proposal better facilitates the Applicable Objectives?	Yes
2	Do you support the proposed implementation approach?	Yes, we believe this is the fairest way to recover these unforeseen costs from the market.
3	Do you have any other comments?	No
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	No
Modification Specific Workgroup Consultation questions		
5	Do you believe that it is more appropriate to recover the £33,163,790.21 of trading costs in the FY 2021/2022 Settlement Final (SF) Run? Please provide the rationale for your response?	<p>Yes. Recovery at SF is simply a minor cash flow delay for ESO, they will still recover their monies. We consider it is important that any financial impact to customers or the market, because of ESO's error, should be minimised.</p> <p>We therefore believe that recovering this in SF rather than RF is more appropriate. Billing at SF avoids a retrospective cost to customers on pass through contracts. It also reduces adverse impact to suppliers and generators who could not have reasonably foreseen this error by ESO or mitigated against it. We also believe it should mean that the additional £33m will be automatically incorporated into the domestic price cap, avoiding the need for any changes to the price cap methodology.</p> <p>We recognise that billing at SF may result in some manual intervention for ESO as their current billing system does not allow them to assign historical costs, this should not be a reason not to bill at SF. This issue has</p>

		arisen because of ESO's own error and they should therefore be willing to accept any inconvenience of manual billing.
6	Do you think that it is more important to socialise the costs across users in FY 2021/2022 or to correctly target the liable users when the costs were incurred using the RF run? If not socialised do you have a proposal for how the Default Tariff Cap calculations would work? Please provide the rationale for your response.	It is more important to socialise the costs across users in FY 2021/22 – for the reasons given above. Changing the Default Tariff Cap calculations will be a complex and timely process – and should be avoided. Billing at SF is therefore the only option.
7	Do you believe that the costs should be recovered from 1 October 2021 to 31 March 2022 (as per Original proposal) or 1 June 2021 to 31 March 2022 or using the default of the RF runs? Please provide the rationale for your response.	<p>Our strong preference is 1 October 2021 – 31 March 22. This provides more notice for BSUoS parties on the increases.</p> <p>Using the Default of RF runs should not be an option since it is a retrospective, unavoidable charge.</p>
8	Will the CMP373 Original Proposal or any of the potential alternative solutions impact your business and/or end consumers. If so, how?	CMP373 is preferred when compared to the original proposal of recovering the £33m through RF runs. It avoids a retrospective cost to customers on pass through contracts and an adverse impact to suppliers who could not have foreseen this error by ESO and mitigated against it. It also means that the additional £33m will be automatically incorporated into the domestic price cap, avoiding the need for any changes to the price cap methodology.