

**Code Administrator Consultation Response Proforma****CMP308: Removal of BSUoS charges from Generation**

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 31 August 2021**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact Joseph Henry at [joseph.henry2@nationalgrideso.com](mailto:joseph.henry2@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com)

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**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 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.*

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

Standard Code Administrator Consultation questions	
1	<p>Do you believe that the CMP308 Original Proposal better facilitates the Applicable Objectives?</p> <p>Yes, for the following reasons:</p> <p><b>Offering better value to consumers</b></p> <p>For generators, BSUoS charges are reflected in the wholesale market price, ancillary services and Balancing Mechanism through risk premia and pass-through transaction costs from generators. Distortions arise particularly where the charges were not applied consistently to all participants competing in those markets. Distortions and inefficient passthrough occurs as generators, who are unable to predict balancing costs, will place a risk premium on BSUoS based on their own perceptions of the volatility of the charge.</p> <p>Levying BSUoS solely on final demand avoids the more complicated approach associated with cost passing from generators, via multiple market mechanisms, to suppliers and ultimately final demand; and removes these distortions on charges as 100% passthrough eliminates the need to introduce a risk premium. This ultimately results in a lower wholesale price, benefitting consumers. Therefore, consumer benefits will come about due to lower and more competitive wholesale prices alongside low carbon support payments offsetting any potential increase in their BSUoS demand charge liabilities</p> <p><b>Increased harmonisation and competitiveness of UK generators to interconnectors/EU generators</b></p> <p>Distortions in wholesale market prices caused by the current BSUoS charging arrangements need to be addressed.</p> <p>GB generators currently face a disproportionate level of charges as compared with EU generators,</p>

		<p>thereby producing a competitive disadvantage in cross-border trades and EU trading platforms. Removing BSUoS from generation addresses this distortion to competition in the wholesale and balancing service market between GB generators and EU Interconnectors / generators where most balancing service charges are levied on final demand.</p> <p>With generation not liable for BSUoS charges, a level-playing field amongst transmission-connected generation, distributed generation, and interconnection is established, which in turn encourages effective competition, resulting in overall system benefits.</p>
2	Do you support the proposed implementation approach?	<p>We believe that a 2-year notice from the date of Ofgem's decision (potential 2023 implementation) prolongs the harmful distortions faced by generators, and further extends the competitive disadvantage currently faced by GB generators compared to EU generators. However, we recognise the need for sufficient lead time in implementation, to allow the wholesale market as well as suppliers and consumers to adjust to the proposed changes.</p> <p>We would highlight that implementing this change does not need to wait until any other wider TNUoS reforms are underway, as the TNUoS reforms could potentially be realised post 2023. Delaying this BSUoS change any further (beyond 2023) poses a high risk to both generators and consumers. It prolongs the significant disadvantage currently faced GB generators and extends the uncertainties that currently exist in Use of System charges, with consumers ultimately bearing the resulting costs. It also compromises business continuity and the investor confidence needed for the development of low carbon projects to meet net zero decarbonisation target.</p>
3	Do you have any other comments?	No further comments

