

Workgroup Consultation Response Proforma**CMP361 & CMP362: BSUoS Reform: Introduction of an ex ante fixed BSUoS tariff & Consequential Definition Updates**

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 24 September 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 Jennifer Groome Jennifer.Groome@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
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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, the Workgroup or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

CMP361**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*

- e. *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).*

CMP362

For reference the Applicable CUSC (non-charging) Objectives are:

- 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.*

**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).*

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

CMP361 Standard Workgroup Consultation questions			
1	Do you believe that the CMP361 Original Proposal better facilitates the Applicable Objectives?	<input type="checkbox"/> Yes, it better facilitates objectives: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E	<input checked="" type="checkbox"/> No, it has a negative effect on objectives: <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input checked="" type="checkbox"/> E
		<p>A significant proportion of electricity consumed in Great Britain is supplied to businesses through pass-through contracts. There is no risk to the suppliers in this situation. After the implementation of CMP308 BSUoS will represent about 5% of a bill. The volatility of this is quite small compared with the energy price. Any additional premia, whether the result of suppliers or National Grid mitigating their financial risk, would be added to the bills of business consumers for no added benefit as the proposals will change the structure of the BSUoS charge for all. The proposals therefore quite clearly fail to meet the need to reflect the costs accurately, or promote efficiency in the implementation and administration of the CUSC arrangements. Indeed,</p>	

		there is no getting away from the fact that the proposals are retrograde in this regard since they propose moving away from reflecting half hourly costs and will, by implementing any change, create more unnecessary administration.
2	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Click or tap here to enter text.
3	Do you have any other comments?	The description of the issue in the consultation document states the following: "This [the current] approach does not provide certainty, stability or transparency of BSUoS charges, as identified through the BSUoS Task Force, and therefore the methodology should be updated to enable a fixed tariff." Whilst it is true to state that BSUoS is not easily predictable this is not a primary requirement. However, cost reflectivity is. Being a reflection of market activity BSUoS "certainty" cannot be expected and the current arrangements are perfectly transparent.
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

CMP362 Standard Workgroup Consultation questions

5	Do you believe that the CMP362 Original Proposal better facilitates the Applicable Objectives?	<input type="checkbox"/> Yes, it better facilitates objectives: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D	<input checked="" type="checkbox"/> No, it has a negative effect on objectives: <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> D
		Please see our answer to Q1.	
6	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No There is an implementation date for this modification of 1 st April 2023. However, in order for a tariff to be fixed from this point onwards, it would be necessary for the modification to be implemented in time for the beginning of the notice period.	

7	Do you have any other comments?	The consultation document states the following: "The Workgroup discussed that there may be an impact on Residual Cashflow Reallocation Cashflow (RCRC) and that a BSC issues group would be required to look into this." This strikes us as a rather cavalier approach and we believe that issues relating to RCRC should be addressed now. RCRC is also a half hourly charge/benefit and is correlated to BSUoS and similarly a function of market prices.
8	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Click or tap here to enter text.

CMP361 & CMP362 Modification Specific Workgroup Consultation questions

9	The Original solution has 3 months' notice and 12 months fixed, what would your preferred combination of notice period and fixed period be? Please provide your justification.	<input type="checkbox"/> 3-month notice period and 12-month fixed period <input type="checkbox"/> 9-month notice period and 6-month fixed period <input type="checkbox"/> 12-month notice period and 3-month fixed period <input checked="" type="checkbox"/> Other (please describe below) <p>Whilst we are against this modification on principle for the reasons stated above under Q1, if such a modification were to be progressed, and for it to have any meaningful benefit at all, we believe that, of the options above, the original solution is best. However, this is only our second preferred option; as an operator of private networks with electricity customers of our own, we need a minimum of nine months' notice of known charges which we could then factor into our own tariffs. Our customers want to know during Q3 of any given year what the tariffs are going to be for the next calendar year. It would seem absurd to fix for anything other than a 12-month period. We think therefore that if the year starts in January there should be six months' notice and if it starts in April there should be nine months' notice.</p>
10	Do you support the use of an industry-funded BSUoS Fund to reduce the probability of re-setting tariffs?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Other / Don't know <p>This will be yet another charge which is passed to the consumer along with all the funds to protect schemes such as the CfD and Capacity Market. They are not insignificant sums. We believe that any working capital should be provided to the industry at no cost to the consumer especially those on pass-through contracts.</p>

11	What would the appropriate balance be between the level of the BSUoS Fund requirement, and the probability of tariffs being reset within the fixed period due to under recovery (in the Original solution is this set at P99 – see table on pages 15-16)?	<input type="checkbox"/> P99 <input type="checkbox"/> P95 <input type="checkbox"/> P90 <input type="checkbox"/> P77	<input type="checkbox"/> P75 <input type="checkbox"/> P65 <input checked="" type="checkbox"/> P50 <input type="checkbox"/> Other / Don't know
		A P99 maximises the cost but still provides no guarantee that there would be no mid-year changes. Given that mid year changes are going to be inevitable the P might as well be as low as possible, although, this does somewhat underline the meaninglessness of the whole scheme in the first place.	
12	Do you agree with the proposed approach to recover half of the BSUoS Fund in the first financial year and the rest in the second financial year?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Other / Don't know	
		The proposed approach is preferable to recovering all of the BSUoS Fund in the first financial year but we still do not agree with it in the first place.	
13	Do you agree with the proposed data transparency approach set out in the Workgroup consultation?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Other / Don't know	
		Quarterly forecasts of the monthly BSUoS cost and upcoming tariff over a two-year horizon would be helpful.	