

Code Administrator 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 usc.team@nationalgrideso.com by **5pm on 7 January 2022**. 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 Jennifer Groome Jennifer.groome@nationalgrideso.com or usc.team@nationalgrideso.com

Respondent details	Please enter your details
Respondent name:	Kit Dixon
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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.

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;*

- d. *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 in the right-hand side of the table below, including your rationale.

Standard CMP361 Code Administrator Consultation questions		
1	Do you believe that the CMP361 Original Proposal or WACM1, WACM2, WACM3, WACM4, WACM5, WACM6 or WACM7 better facilitates the Applicable Objectives?	<p>We strongly hold that WACM4 and WACM7 are the most appropriate proposals to deliver the recommendations of the BSUoS Task Forces. This is because:</p> <ul style="list-style-type: none"> • They both have 12 month notice periods. Within an ex-ante combined 15 month notice/fix framework, longer notice periods and shorter fixes better deliver the consumer benefits identified under the Second BSUoS Task Force and by the ESO in the RIIO2 Business Plan. Suppliers will be incurring the least amount of risk, and will therefore not need to price this into tariffs. • They have reduced or no BSUoS fund requirements. Having the fund would dilute the benefit delivered to the consumer by having a fixed approach to BSUoS charging. <p>We consider WACM 1 and 3 to also be more appropriate than the Original Proposal.</p>
2	Do you support the proposed implementation approach?	Please see answers to questions 1 and 3.
3	Do you have any other comments?	<p>On the use of a BSUoS Fund:</p> <p>The magnitude of the BSUoS Fund seems excessive, especially when compared with instances of similar mechanisms elsewhere in the industry. For example, the TRA in the CfD, which is also designed to quantify uncertainty over a period of 3 months, yet with a much higher typical £/MWh scheme value. For example, when the £/MWh for CfD was set to £11.27 for April-June 21, the TRA was £115m. For the upcoming quarter of Oct-Dec 21 it's £6.49/MWh and £209m.</p> <p>This may be because it is aimed at achieving a 19 in 20 probability that LCCC can make all required payments, but it means that It's impact on industry</p>

		<p>participants is lessened. If a fund is to be used, then we feel it should be set at a lower level.</p> <p>Additionally, there is a combination of rising costs/credit requirements for supplier participants at the moment which need to be considered as a whole when mechanisms such as a BSUoS fund is suggested. Rising wholesale prices, zeroing of customer credit balances, RO and FiT shortfalls, increasing bad debt and proposed changes to DUoS and TNUoS credit arrangements (DCP 349 and CMP 311) all present a difficult regulatory environment for even the most prudent actors.</p> <p>Decarbonisation in the CUSC</p> <p>We feel that the CUSC Objectives should be altered to reflect a need to facilitate the decarbonisation of the UK's electricity Transmission networks.</p>
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Standard CMP362 Code Administrator Consultation questions

1	Do you believe that the CMP361 Original Proposal or WACM1, WACM2, WACM3, WACM4, WACM5 or WACM6 better facilitates the Applicable Objectives?	No comment
2	Do you support the proposed implementation approach?	No comment
3	Do you have any other comments?	No comment