

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
Respondent name:	Jason Harkay
Company name:	Utilita Energy Limited
Email address:	jasonharkay@utilita.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.

CMP361**For reference the Applicable CUSC (charging) Objectives are:**

- 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; 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 checked="" type="checkbox"/> Yes, it better facilitates objectives: <input checked="" type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> D <input checked="" type="checkbox"/> E	<input type="checkbox"/> No, it has a negative effect on objectives: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		<p>This modification should remove volatility in Supplier pricing, leading to efficiencies in consumer offerings and thus improving competition. (ACO a)</p> <p>The change applies the Ofgem Targeted Charging Review (TCR) principles of reducing harmful distortions, fairness and proportionality. Fixing BSUoS will address concerns about BSUoS unpredictability and resulting risk premia. This should allow more cost reflective pricing to consumers than those currently available through the removal of risk premia. (ACO c)</p> <p>Reforming BSUoS charging to create an ex ante fixed price methodology simplifies BSUoS payers' charging</p>	

		methodology and unlocks process efficiencies for BSUoS payers. (ACO e)
2	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>This modification should be implemented prior to or in line with CMP308 (should it be approved). As under the current lagged methodology, the impact of a new and much higher demand only BSUoS charge from CMP308 would not be fully included in the domestic price cap for 18 months post implementation. This creates the risk to suppliers of being unable to adequately fund increased BSUoS costs.</p> <p>Additionally, sufficient time should be allowed to finance the potential requisite of the BSUoS Fund (if opted for and dependant on the selected funding method), prior to the start of the start of the first fixed period to ensure P99 (or the agreed percentile) is reached.</p>
3	Do you have any other comments?	No.
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 <p>Click or tap here to enter text.</p>

CMP362 Standard Workgroup Consultation questions

5	Do you believe that the CMP362 Original Proposal better facilitates the Applicable Objectives?	<input checked="" type="checkbox"/> Yes, it better facilitates objectives: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> D	<input type="checkbox"/> No, it has a negative effect on objectives: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D
		This modification improves efficiency by ensuring all required definitions for BSUoS reform are accurate and in CUSC Section 11. (ACO d)	
6	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>This modification should align with the implementation of CMP361.</p>	

7	Do you have any other comments?	No.
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 checked="" 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 type="checkbox"/> Other (please describe below)
		<p>With price cap periods lasting six months, to be easily input into the cap methodology any fixed price period would have to be divisible by six. Either a 12-month or 6-month fixed period should therefore be selected from the options provided.</p> <p>If a 3-month fixed period was implemented, a weighted average of two 3-month fixed tariffs would have to be applied over the whole of the 6-month cap period. This would likely lead to a weighting error. Thus, would be the least desirable option of the three presented.</p> <p>The 12-month fixed period option provides the most accurate forecasts. Given the potential of this modification to require a BSUoS fund, an increased level of accuracy would be favourable to best avoid need to re-set the tariff within the fixed period.</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 type="checkbox"/> No <input checked="" type="checkbox"/> Other / Don't know
		<p>In principle, a BSUoS Fund is a reasonable request to ensure P99 can be met to reduce the risk of a tariff re-set within a fixed period. The way the fund will be established and maintained are the main points of contention.</p> <p>Should the use of an industry financed BSUoS Fund be implemented then the cost must be incorporated into the price cap methodology. The Second BSUoS Task Force recommended that Ofgem include the new fixed BSUoS price in the price cap from the point of implementation, including any necessary adjustment to true up allowances for cap periods before the move to an ex-ante approach.</p>

		<p>BSUoS has been deemed to be an end consumer charge, any amount contributed to the BSUoS Fund must be recoverable from end consumers.</p> <p>It may also be worth exploring the option of using BSC credit cover in respect to the BSUoS Fund.</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 checked="" type="checkbox"/> P99 <input type="checkbox"/> P95 <input type="checkbox"/> P90 <input type="checkbox"/> P77	<input type="checkbox"/> P75 <input type="checkbox"/> P65 <input type="checkbox"/> P50 <input type="checkbox"/> Other / Don't know
		<p>P99 is the preferred choice as it would decrease the risk of a mid-year tariff change, thus reduce Supplier risk premia and provide the greatest long-term consumer benefits.</p>	
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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Other / Don't know	
		<p>Spreading the cost would be the least detrimental to Suppliers.</p>	
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	
		<p>The outlined approach should be sufficient.</p>	