

Workgroup 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 by 5pm on **26 April 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 Kavita Patel Kavita.Patel@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details
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For reference the Applicable CUSC 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 subparagraphs (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 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 CMP308 Original proposal better	Yes <i>(a) That compliance with the use of system charging methodology facilitates effective</i>

<p>facilitates the Applicable Objectives?</p>	<p><i>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;</i></p> <p>Positive</p> <p>CMP333 implemented for April 2021, a change to how BSUoS is charged for Suppliers BMU's. BSUoS will be charged on Gross Demand for those BMU's. This removed an Embedded Benefit but did not create a charge for Exports (Generation) within those BMU's, as only Gross Demand will be charged BSUoS. CMP308 helps to deliver the BSUoS taskforce recommendation by removing the BSUoS charge from CVA Generator BMU's which also creates a level playing field with Exporting SVA Generation. A level playing field is crucial for competition.</p> <p>Outside of GB, in the vast majority of EU countries, Generators are not charged the equivalent of BSUoS. For those EU countries that may apply an equivalent type of charge, the magnitude is much smaller than GB generator BSUoS. With increased interconnectivity with Europe, disparity in charges will be exploited to the detriment of competition. Removing the BSUoS charge from Generation will therefore also create a more level playing field with Europe.</p> <p><i>(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);</i></p> <p>Positive</p> <p>The BSUoS taskforce determined that BSUoS charges is cost recovery, as it does</p>
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		<p>not provide an effective price signal. Removing the charge from Generation is better for cost reflectivity because it removes a non-cost reflective charge which, if left in place, would incentivise economically inefficient behaviour. It is not detrimental to cost reflectiveness as it just transfers the cost to demand who ultimately pay for the Generator's element of BSUoS through the wholesale charge. Based on the current baseline BSUoS is currently variable and unpredictable, therefore a risk premium is added. BUSoS costs when they reach the end consumer are higher than those initially charged. Removing the charge from Generation better aligns costs and charges</p> <p><i>(c) That, so far as is consistent with subparagraphs (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; Neutral</i></p> <p><i>(d) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1 * Neutral</i></p>
2	Do you support the proposed implementation approach?	<p>Yes we agree with the Implementation approach.</p> <p>Over time the proposed solution could be extended to include behind the meter generation removing the final BSUoS Embedded Benefit and aligning final demand with final consumption. However, the findings of the BSUoS taskforce, determined that BSUoS should be charged on Final Demand as per flows metered at the Boundary. To split out flows behind the Boundary meter goes further than the current taskforce recommendation. Crucially the metering arrangements being brought forward by P375 which will allow the flows for these meters to be used in settlement and which NGESO also use to bill BSUoS will not be in place June 2022 at the</p>

		<p>earliest and more realistically November. The meters will then have to be registered etc.</p> <p>It is pragmatic therefore to remove the charge on CVA registered Generation at a BMU level which is metered at the Boundary as soon as is practically possible, and deal with the remainder via a separate modification as opposed to delaying the implementation of CMP308 to try and include all Generation including BTM thus eroding the benefits case.</p>
3	Do you have any other comments?	<p>This modification removes the BSUoS charge on stand alone Generation. SVA Generation who exported when the Trading Unit imported, previously received an Embedded Benefit, but had this embedded benefit removed by CMP333. For behind the meter generation, they can still net off demand. By moving to a Fixed charge per site as opposed to charging on volume this will remove this embedded benefit, thus creating a level playing field for all Generation. This will become crucial with increased competition in Balancing Services and the Wholesale Market (P415). Where do these discussions best lie? As part of CMP308, CMP361, or a future mod</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p>We do not wish to formally raise an alternative at this time, however we would like the WG to consider the above comment.</p>
Modification Specific Workgroup Consultation questions		
5	Please provide your thoughts on the Workgroup's discussions post reconvening after the outcome of the Second Balancing Services Charges Task Force. Is there anything else that the Workgroup may need to consider?	<p>The WG has concentrated on delivering the BSUoS taskforces recommendations using existing or soon to be implemented processes to determine what should be classed as final demand and then how to provide demand data for billing purposes. The workgroup has kept within the scope of the defect of this mod and the taskforces recommendations.</p>
6	What are your thoughts on the workgroup's discussions in regard to final demand data?	<p>Yes, the definition of final demand is in line with the taskforce recommendations that final demand be calculated as of at the Boundary.</p>

	<p>Do you think the suggested solutions are appropriate? Please provide your rationale</p>	<p>The current definition also ties in with other modifications being implemented or have already been implemented which will allow the required data to be provided and for Users to signify whether a BMU should be classed as Final Demand.</p> <p>By contrast, other definitions of final demand are more complex and therefore may jeopardise the proposed implementation date. If appropriate, further refinement to the definition could be implemented through future modifications.</p>
7	<p>What are your thoughts on the draft legal text outlined in Annex 3? Please provide any comments you may have.</p>	<p>No comment</p>