

## **CMP398 Workgroup Consultation Summary**

03 January 2023 – 24 January 2022

4 non confidential responses received.

- 3 out of 7 respondents support that the original proposal better facilitate some of the CUSC objectives. 1 did not specifically comment on this
- 4 out of 7 respondents were supportive of the implementation approach

### Regarding the Implementation Approach

The unsupportive respondents felt that:

- It will have uncontrolled and unpredictable effects on BSUoS that could prejudice market stability and the efficacy of the BSUoS fixed tariff
- Allowing explicit pass-through of costs incurred by generators for compliance with an obligation placed on them through the Grid Code will deter market forces to determine the efficient cost of complying with such an obligation
- The proposal removes competition pressure from the cost of compliance with the Grid Code and inevitably will result in increased cost on consumers of generators and without competition in the tender process, the ESO or proposed committee cannot efficiently determine cost
- CMP398 expects CUSC claims committee members to be remunerated in line with the BSC process, but unsure how this would work in practice as remuneration for BSC claims committee members forms part of the BSC Costs recovered by Elexon from BSC Parties
- Clarity needed on whether capex and/or opex cost recovery is only allowable for plant connected prior to implementation of GC0156, or if any elements would be allowable for all future plant
- The introduction of a committee of independent experts will add further inefficiency and cost to the CUSC

### **Consultation Questions 5 - 8**

#### Considering inherent resilience when generators are requesting funding (3 agreed)

- One respondent believes the inherent resilience built in all generators may struggle to overcome a low probability but high impact event like a national power outage. A national power outage incident which will be logistically far more challenging than say, a disconnection, limited power outage incident or storm condition
- As some generators will already have resilience and are currently compliant with GC0156, inherent resilience should be taken into account in the submission and assessment of any CMP398 claims
- Inherent resilience will vary significantly from generator to generator, both in terms of generation technology as well as by operator because, it is assessed based on different factors

- The cost a generator will submit will be based on satisfying the new obligations and standards in the grid code and expected to be reasonable and proportionate

#### Regarding cost impacts / analysis

- An impact assessment is required as CMP398 will clearly impose costs on supplier parties through higher BSUoS costs. The respondent believes that this is needed for the proposal to be approved as there is no end date provided
- Cost estimates should have been provided to the Grid Code GC0156 workgroup by the ESO
- Noted that the vast majority of the relevant ESRS costs arise from the GC0156 obligations itself and not from CMP398

#### Regarding possibility of frequent derogation requests (4 agreed)

- Applying 72 hr resilience retrospectively will have significant cost and time impact on existing sites. Implementation of requirements and timescales of ESRS standard by December 2026 will be challenging and impossible due to technology and age of certain sites
- Requests for derogation may be huge because applying 72 hr resilience retrospectively will have significant cost and time impact on existing sites and, resilient communication to sites will be key and will require significant investment and time for implementation

#### Regarding £100k ex ante pre approval (3 supportive)

- This should be revisited based on actual assessment of applying 72 hrs at large with all CUSC parties and transmission connected and embedded sites
- Compliance costs of generators that do not already meet the standard should fall on generators, but if this modification is implemented, they could then submit their ex-ante claim
- One respondent (the Proposer) support that the level is adequate. Another agrees with £100K for ex ante preapproval subject to periodic review

#### **Other Comments / suggestions**

- Perform regional studies/CBA: to determine which plants need to come back up to meet regional demand and have 72hr resilience. This will also provide justification of cost on consumers.
- ESO rep on committee: inherent issues could arise due to the nature of the confidential commercial information to be provided by claimants. Also, the ESO have not provided justification as to why they should be included in the committee
- Undue advantage could result as funds claimed under CMP398 to comply with GC0156, together with funding for its annual maintenance under the Opex claim heading, if approved could be used for other commercial purposes.

- CMP398 would set a precedent whereby in this sector, uniquely compared to the wider business environment, costs of complying with changes in regulations would not have to be met by industry participants, but funded by end consumers
- No clarity as to who would determine the costs and remuneration of the proposed claims assessment panel, how many panellists would be appointed, and who completes assessment? If all of this is left to an independent arbitrator, there seems to be a lack of electricity industry control of these matters