

**Workgroup Consultation Response Proforma****CMP398: GC0156 Cost Recovery mechanism for CUSC Parties**

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](mailto:cusc.team@nationalgrideso.com) by **5pm on 24 January 2023**. 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 [banke.john-okwesa@nationalgrideso.com](mailto:banke.john-okwesa@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto: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 or the industry and may therefore not influence the debate to the same extent as a non-confidential response.*

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

- The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;*
- 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;*
- 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 CUSC arrangements.*

\*The Electricity Regulation referred to in objective (c) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.

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

Standard Workgroup Consultation questions		
1	Do you believe that the Original Proposal better facilitates the Applicable Objectives?	<p>Mark the Objectives which you believe the original solution better facilitates:</p> <p>Original    <input checked="" type="checkbox"/> A    <input checked="" type="checkbox"/> B    <input type="checkbox"/> C    <input type="checkbox"/> D    <input type="checkbox"/> E</p> <p>Yes. The proposal should help facilitate speedy adoption by generators of any new equipment and operational changes following new grid code requirements to enable the ESO to deliver the restoration standards in ESRS. This proposal is positive against applicable objective (a) as it should enable the ESO to be better able to meet its licence obligations and responsibilities. The proposal is also positive against applicable objective (b) as it introduces an efficient funding process to minimise any negative impact on competition because of the new requirements. Importantly this should ensure equitable treatment of parties by providing a clear route to recover reasonably incurred costs arising from the new mandatory technical and operational obligations of GC0156.</p> <p>We believe the proposal is neutral against all other applicable objectives.</p>
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>We agree with the proposed implementation approach.</p>
3	Do you have any other comments?	<p>The ESO and Transmission and Distribution networks have capex and opex funding for ESRS related changes included in their price control formula and are expected to be excluded from applying for funding through the method proposed under CMP398.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>We do not wish to raise an alternative at this time.</p> <p>Click or tap here to enter text.</p>

### Specific Workgroup Consultation questions

5	<p>Given that most generators have some inherent resilience that has to be maintained regardless of this modification/regardless of ESRS, do you believe the inherent resilience should be considered when generators are requesting for funding for 72hrs resilience? If so, please explain why?</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>In our view the cost a generator will submit will be based on satisfying the new obligations and standards in the grid code. The generator will be obliged to ensure that the cost it supplies to the committee is accurate, reasonable, efficient, and proportionate.</p> <p>It is worth noting that the proposed mandatory changes to grid code and consequential costs are to ensure that the ESO can discharge its ESRS licence obligations and be able to meet its security of supply commitments.</p>
6	<p>The terms of reference of the workgroup requests that the workgroup estimates a cost impact for this modification, if approved. Do you have any cost information (anonymised/hypothetical) for CMP398 that you can share with the Workgroup? if so, please do so.</p>	<p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>We understand that the cost impact should be managed through the GC0156 process as highlighted in the workgroup report. <i>(extract below)</i></p> <p>The purpose of this modification is limited to establishing the funding process, not to determining the costs and impact resulting from the GC0156 changes. The costs for GC0156 should be determined within that proposals development and include any assessment of alternatives under GC0156.</p> <p><i>“The Proposer noted that the ESO, via a request issued on the ESO’s behalf by BEIS, had recently obtained cost information for meeting the 72 hours resilience requirement. Majority of Workgroup members felt that cost estimation/analysis did not fall within the remit of this modification as it is seeking to clarify cost mechanisms and will not impose costs on parties. The Workgroup felt that it is more appropriate that cost estimation/analysis is carried out as part of the GC0156 modification.”</i></p>
7	<p>The Proposer is considering adding this wording to CMP398: <i>“The Claimant party shall use reasonable endeavours, exercising good Industry practice, to identify if compliance with the GC0156</i></p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Yes. There could be a large number of derogations requested given the different types of site, location resource impacts / availability and other characteristics etc. If that is the case this could</p>

	<p><i>requirement could be achieved at a materially lower cost by meeting a lesser technical requirement (such as by providing resilience for less than 72 hours) and if so, then they shall advise the ESO accordingly and liaise with the ESO about possible solutions associated with a derogation. If appropriate, they shall seek a derogation from Ofgem on that basis. If a derogation is not forthcoming then the cost (subject to being reasonable, efficient and proportionate) shall be claimed for."</i></p> <p>Do you consider there would be a lot of such cases?</p>	<p>obviously impact on the ESO meeting its licence obligations.</p> <p>We can see a potential risk that capability could reduce over time and believe this potential risk should be explored. We agree that the alternative of derogating (as opposed to funding) is within scope of CMP398 and should be enacted within the legal text. However, the potential impact of the derogation process, should be addressed under GC0156 especially as parties would be derogating from provisions introduced by the GC0156 modification.</p>
8	<p>Do you agree with the proposed level of £100k for ex ante pre-approval or should the level be higher or lower than this, and if so, why?</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Yes, this seems reasonable, but could be revised by the committee on a 6 monthly or yearly basis as more data related to the claims and actual costs to implement the GC0156 changes becomes available.</p>