

Workgroup Consultation Response Proforma

CMP420: Treatment of BSUoS Revenue Recovery, and creation of a BSUoS Fund

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 19 April 2024**. 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 Lizzie Timmins Elizabeth.timmins@nationalgrideso.com or cusc.team@nationalgrideso.com

Respondent details	Please enter your details	
Respondent name:	Alice Taylor	
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Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input checked="" type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

I wish my response to be:

(Please mark the relevant box)

☒ **Non-Confidential** (this will be shared with industry and the Panel for further consideration)

☐ **Confidential** (this will be disclosed to the Authority in full but, unless specified, will not be shared with the Workgroup, Panel or the industry for further consideration)

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);

- 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.

*The Electricity Regulation referred to in objective (d) 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> <table border="1"> <tr> <td>Original</td> <td><input type="checkbox"/>A <input checked="" type="checkbox"/>B <input type="checkbox"/>C <input type="checkbox"/>D <input type="checkbox"/>E</td> </tr> </table> <p>The ESO believes that the Original Proposal does better facilitate Applicable Objective (b) and overall is beneficial to suppliers and end consumers.</p> <p>Fixed BSUoS was first charged in April 2023 on a 6-month fixed period with a 9-month notice period. BSUoS tariffs are set based on forecasted BSUoS costs and these can therefore differ from what BSUoS costs are incurred within that fixed period. This difference can result in an over or under recovery of BSUoS for any set Fixed Period. Any over/under recovery of BSUoS is subject to an interest charge which is currently calculated on a financial year within the ESO licence. However, this interest charge is not reflected within the CUSC and not taken into consideration when calculating the Total BSUoS Costs for a Fixed Period. It is important that this interest charge is reflected to allow the interest calculated in the licence to be fed through to suppliers and ultimately end consumers in future tariff periods.</p> <p>The application of interest within the CUSC to allow interest to be included within future tariffs allows BSUoS costs to be truly reflective.</p>	Original	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
Original	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E			
2	Do you support the proposed	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		

	implementation approach?	<p>The ESO agrees with the proposed implementation approach, in which an amendment would need to be made to the BSUoS charge setting process to account for the application of interest to future BSUoS tariff periods.</p> <p>The ESO also supports the timeline outlined for implementation, with a decision date required by 30 September 2024 for implementation in April 2025. If the decision falls after this date, the ESO also supports the ask for special consideration from the Authority to allow for implementation in 01 April 2025, as without this, implementation would automatically fall to April 2026. The need for special consideration is because the current fixed period for BSUoS is 6-months, meaning there are two tariffs per year. In order for the interest to be included within the October 2025 tariff, a decision from the Authority is required by November 2024 which falls in line with the 9-month notice period that is currently in place. As this comes after the September cut off imposed by CMP292, the special consideration is required otherwise the default April 2026 implementation would not make inclusion possible for this tariff. If, however, interest is deemed necessary to form part of the earlier April 2025 tariff, there would be a need for a clear direction from Authority (the April 2025 tariff would have been published in July 2024 as per the 9-month notice period). To include interest within the April 2025 tariff would mean the ESO would therefore need to produce a revised tariff to industry.</p> <p>If implementation was delayed (as a result of CMP292 or otherwise) to April 2026, it would mean that any interest could not be paid back to consumers in a timely manner and would create difficulty in when the ESO is able to include interest in future tariff periods. Therefore, it is important that implementation is April 2025 to allow any expected interest to be paid back, ensuring money is returned to consumers as quickly as possible.</p>
3	Do you have any other comments?	Under the new NESO licence which comes into effect on 1 st July 2024, interest will be accounted for, with interest included in future tariff periods. Therefore, this presents the opportunity to re-assess the need for a CUSC change as the NESO licence offers the same outcome.
4	Do you wish to raise a Workgroup Consultation Alternative Request for	<input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section) <input checked="" type="checkbox"/> No

	the Workgroup to consider?	
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Specific Workgroup Consultation questions

5	Do you believe an obligation on the ESO to report forecasting of comparing Fixed Tariff Revenue vs Costs reporting should be codified? If so, do you think these obligations that traditionally fall within Section 3, should be added to Section 14 of the CUSC and why?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>Whilst the ESO supports the additional reporting obligations outlined, we do feel that these are not appropriate to be included within Section 14 of the CUSC. For consistency if these obligations were to be codified, they should be included within Section 3 where other BSUoS reporting obligations are outlined.</p> <p>On balance, the ESO feels that raising an additional CUSC modification to include the additional reporting obligations within Section 3, should not be a current priority considering the other large projects of work in play. We therefore consider that raising an additional modification could be seen as not a good use of industry and ESO's time. The ESO feels that inclusion of these additional reporting obligations within a guidance note is a compromise that offers industry the confidence that these reports will be maintained.</p>
6	Do you believe a Guidance Note could be an appropriate method of providing sufficient confidence to industry regarding reporting and forecasting? If so, what do you believe should be included in it?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>Yes, the ESO believes that inclusion of additional reporting obligations within a guidance note is appropriate. The additional reports are reports the ESO already produce and has done since the introduction of Fixed BSUoS in January 2023, with fixed tariffs first charges in April 2023. These consist of a weekly report comparing Fixed Tariff Revenue vs costs and after a standard tariff release, the ESO will provide a BSUoS Fixed Tariff webinar providing industry with background information on the tariffs and a chance to ask questions ahead of the tariff being charged. We recognise the importance of the continuation of these reports to industry and therefore we recognise why including these obligations within a guidance note offers an increased level of confidence that these reports will be maintained.</p> <p>There was also an ask within the workgroup for the inclusion of the BSUoS tariff reset process within a guidance note. The ESO agrees that this would offer</p>

	<p>industry the transparency in the process that the ESO would take when assessing if a reset is needed mid fixed period. The inclusion of the BSUoS tariff reset process offers a balance between providing industry more information and transparency on that process, as well as still giving the ESO the flexibility it needs to assess the requirements for a reset without adhering to strict parameters. Considering whether a tariff reset may be required mid fixed period comprises a multitude of factors that are interlinked, making it difficult to account for all possible scenarios that could lead to a reset. Codifying this process, with the inclusion of all complexities, could inadvertently restrict the ability of the ESO to work in the best interests of end consumers by increasing the risk of a tariff reset mid fixed period.</p> <p>From discussions throughout Fixed BSUoS workstreams, (CMP420, CMP408, CMP415, TCMF Sub Group), we understand that a tariff reset mid fixed period would be an adverse scenario that would erode the benefits of Fixed BSUoS for both suppliers and end consumers. If tariff resets occur, it could result in suppliers increasing risk premia which is then passed onto end consumers. Therefore, the ESO is supportive of the inclusion of the BSUoS Tariff reset process and additional reporting obligations to be included within a guidance note, rather than in Section 14 of the CUSC.</p>
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