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19<sup>th</sup> January 2022

Dear Ruben,

### **CMP308 minded-to decision and draft impact assessment**

*About RenewableUK:* RenewableUK's members are building our future energy system, powered by clean electricity. We bring them together to deliver that future faster; a future which is better for industry, billpayers, and the environment. We support over 400 member companies to ensure increasing amounts of renewable electricity are deployed across the UK and to access export markets all over the world. Our members are business leaders, technology innovators, and expert thinkers from right across industry.

RenewableUK and our members welcome the opportunity to respond to the Ofgem consultation on the CMP308 minded-to decision and draft impact assessment. We support Ofgem's minded-to decision that final demand should pay all BSUoS charges, and that neither embedded nor non-embedded generators should be faced with BSUoS in the future. We apologise that we are unable to provide a fuller response to the consultation in the time available.

Removing BSUoS charges on generators will help to remove the distortions faced by different GB generators compared with each other and with EU generators and interconnectors, improving competition and making charging more cost-reflective. This is in line with the stated principles of the CUSC.

After CMP308 is implemented, it will be useful to monitor if the removal of BSUoS charges for generators corresponds to a fall in the wholesale price of power. This is particularly significant given that current wholesale energy prices are very high, which is putting substantial pressure on suppliers and consumers.

Recent changes to BSUoS as a result of modifications such as CMP345 (deferring costs due to Covid-19) highlight the need for a much more predictable and stable enduring solution to BSUoS cost recovery to be implemented. This will reduce the risk of balancing cost volatility - it is an outstanding problem of undue distortion and volatility that should not be allowed to continue unduly.

We support aligning the implementation of CMP308 with CMP361 (*ex-ante* fixed volumetric BSUoS tariff) and CMP362 (updating required definitions into CUSC section 11). This will be

of benefit to suppliers and consumers, alleviating the concerns and risks of volatile BSUoS, particularly as these costs will now be passed 100% on to final demand.

Regarding the date of implementation, we agree April 2023 is suitable. It is to the benefit of all market participants that sufficient lead time is provided prior to any changes, and this date gives enough notice to carry out any necessary process changes to systems.

### ***Impacts on the CfD***

We stressed previously how changes to the BSUoS regime will have a significant impact on the industry, and this can be seen for the upcoming CfD allocation round (round 4). In the RenewableUK response to the October 2021 consultation *Contracts for Difference Allocation Round 4: further changes to the CfD contract*, we noted that the lack of synchronisation between the CfD and changes to BSUoS is causing confusion and could lead to bidders misunderstanding how to treat BSUoS in the next allocation round. We are concerned that some developers may not be as aware of the current state of the decision making surrounding BSUoS.

For example, in the CfD round, developers have been asked to factor in BSUoS for now, only to potentially deduct it later when Ofgem make a final decision. This prevents there from being a level playing field between the embedded and non-embedded generators, especially in Pot 1. If embedded generators do not need to price in the initial balancing system charge into their bids but non-embedded generators are required to, one will have a competitive advantage over the other. This may also significantly reduce the volume of projects procured from the allocation round, impacting BEIS's target GW ambitions and ability to deliver on carbon budgets. Projects having to factor in the initial balancing system charge and associated adjustment charge will increase bidding prices and result in a higher clearing price. We therefore urge a final decision be made prior to the CfD bidding window opening, which could be as early as 8<sup>th</sup> March.

Overall, changes to BSUoS could impact the perceived cost of renewable generation, volume procured and increase the cost to consumers. Therefore, RenewableUK strongly recommends that any future changes should include improved communications between Ofgem and BEIS, with consideration towards how delays and changes to charging reform will impact upon the CfD, as well as wider industry developments.

Yours Sincerely,

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