
FINAL ADE Response | Ofgem minded to decision on moving BSUoS to final demand | 19 January 2022

Context

The ADE is the UK's leading decentralised energy advocate, focussed on creating a more cost effective, efficient and user-led energy system. The ADE has more than 140 members active across a range of technologies, they include both the providers and the users of energy equipment and services. Our members have particular expertise in heat networks, combined heat and power, demand side energy services including demand response and storage, and energy efficiency.

Some of the questions lie outside of the scope of the ADE's work and therefore, we haven't provided a response to them.

Response

1. Do you agree with our assessment that CMP308 better facilitates the Applicable CUSC Objectives?

Providing that this modification is made simultaneously with CMP361 and CMP362, the ADE agrees.

2. Do you agree that charging BSUoS charges only to Final Demand reduces distortions between Large Generators and other forms of generation? Please explain why.

Different classes of generation do face different liabilities on BSUoS currently.

However, the ADE would also note that many distortions also exist that create advantages for larger generation over and above smaller generation. For example, access rights at distribution are significantly weaker than at Transmission where the former has no financially firm access. Further, the ESO has publicly stated that smaller assets are not always being dispatched in the Balancing Mechanism when they are in merit.

It is important to understand the materiality of BSUoS in this context.

3. Do you have any views on the impact of this proposal on Behind The Meter Generation and its competitiveness?

The ADE agrees that this is not a material issue.

4. Do you have any views on our reasoning on this proposal's effect on price signals or generation dispatch?

The ADE does not have a view on this question.

5. Do you have any views on our reasoning on this proposal's effect on competition between different generator types?

The ADE does not have a view on this question.

6. Do you have views on our assessment of the decarbonisation impacts of this proposal, both in respect of emissions from the GB energy system and of overall emissions?

It is unusual for Ofgem minded to decisions to broaden their scope to international markets in order to demonstrate carbon savings. Further, the increase in domestic carbon emissions modelled from this change is of concern.

7. Do you have views on whether and the extent to which the changes proposed in this modification have already been incorporated into supplier decisions?

The ADE does not have a view on this question.

8. Do you have views on the impact of this proposal on existing supply contracts, including the possibility of costs or delayed benefits to consumers stemming from windfall gains to industry parties, or double payments?

The ADE does not have a view on this question.

9. Do you have views on this proposal's impacts on generator and supplier risks, including on exposure to volatile charges?

The ADE does not have a view on this question.

10. Do you have views on the interactions between this proposal and other changes in the sector, including other BSUoS charging reform proposals?

The possible increases in BSUoS as a result of this change are significant. This is particularly in the Consumer Transformation scenario where BSUoS costs rise significantly during the 2020s; although, noting that this does not take into account the likely move to a set tariff over time which would not, for example, show strong peaks overnight. Further, and as noted in the call for evidence, BSUoS costs have been exceptionally high over the last two years – to the point where urgent modifications are being raised to defer them. If this situation continues (as a result of ongoing disruption from Covid etc.), this could further exacerbate the increase in costs on households and businesses. This makes it more important that CMP361 and CMP362 are also implemented so that I&C businesses and other sectors, such as Energy from Waste, can at least appropriately predict such costs.

11. Do you have views on the modelled assessment of consumer and energy system benefits? Please provide quantitative analysis and any further information.

The ADE does not have a view on this question.

12. Is our assessment of non-monetised costs and benefits reasonable? Are there any other factors we should consider?

The ADE does not have a view on this question.

13. Do you consider the consumer and system benefits identified in our consultants' modelling to represent a reasonable view of the potential effects of this modification?

The ADE does not have a view on this question.

14. Do you consider that Ofgem has duly considered all relevant consumer and system benefits? Are there any areas which could benefit from further analysis?

15. Our modelling assumes that CfD adjustment payments designed to compensate contract holders for the BSUoS charges they face will no longer be paid in the event generation is not liable for BSUoS charges. Do you agree with this assumption, and do you have views on our assessment of the risks associated with existing CfD contracts?

The ADE does not have a view on this question.

16. Do you have views on the impacts of this proposal on end consumers, including large users and vulnerable users?

The ADE does not have a view on this question.

17. Do you agree with our assessment that reduced costs to generators are likely to feed through into lower wholesale prices?

The ADE does not have a view on this question.

18. Do you agree with our assessment that this policy will not have any significant material impacts on vulnerable users?

The ADE does not have a view on this question.

19. Do you agree with our assessment that this modification is unlikely to lead to any significant impacts on essential services or supply chains?

The ADE does not have a view on this question.

20. We would note that increases in demand costs will need to be incorporated into the Price Cap methodology. Do you have any views on this area?

The ADE does not have a view on this question.

Do you agree with our proposed implementation date of 1 April 2023? Please provide your reasoning.

On condition that CMP361 and CMP362 are also implemented from 1 April 2023, the ADE supports this implementation date.

Whilst strictly outside of this consultation, we would also like to emphasise the importance of using the mechanisms for non-final demand declarations established through the TCR for BSUoS to ease the administrative burden on industry, rather than creating a new process.

Do you have any other information which is relevant to this consultation?

N/A.

For further information please contact:

Caroline Bragg

Director of Policy and Research

Association for Decentralised Energy

Caroline.bragg@theade.co.uk
