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Dear Ruben

Ref : Minded to decision on CMP308

Thank you for the opportunity to respond to Ofgem's minded to decision on the CMP308 consultation. Please find below E.ON's response.

Summary

Given the number of urgent interventions for BSUoS over the last 18 months (CMP345, CMP350, CMP381), it has become clear that the current charging methodology for system balancing has not kept pace with the UK's Net Zero ambitions. As more and more intermittent zero carbon generation is added to the generation mix, more and more balancing actions are required. Demand reduction through Covid exacerbated this problem during 2020 and gave us an insight into what a world where intermittent renewables are the majority share of generation will look like. With higher and higher BSUoS costs being forecasted by NGESO until 2030, distortions between generators that have always been present but immaterial have started to have real impacts. Ofgem, through their initiation of the two, industry led, BSUoS taskforces, have listened and recognised these issues and CMP308 is a direct consequence of the output from these taskforces.

Whilst the other recommendations from the taskforces (CMP361 and CMP362) are being treated separately by Ofgem we believe that it is only through the adoption of all of these code modifications that the majority of the distortions and risks can be addressed. Therefore, whilst we applaud Ofgem for its minded to position on CMP308, it will only have success alongside approval for CMP361/362 which we urge Ofgem to progress (and approve) as speedily as possible. To be clear, E.ON's position is that the best outcome for customers is approval of **both** CMP308 and CMP361/362. Approval for CMP308 alone will add significant risk to suppliers who will have to add risk premia to fixed tariffs (which is likely to be higher than the separate risk premia that are added by generators and suppliers at the moment due to the reduced distribution of risk). Where these risk premia cannot be added (default tariffs), suppliers will be significantly exposed when/if BSUoS charges rise to the levels seen recently (the additional cost borne by the supply industry between Oct–Dec 2021 has been estimated at £600m which would have been roughly

double had CMP308 already been in place). This level of risk will be sufficient to deter new entrants into the retail market and may have contributed to the situation that has seen 27 suppliers ceasing to trade and exiting the market over the last six months. The cost of these market failures has been estimated to be £5b and whilst not all this additional cost can be ascribed to BSUoS, it will have had a part in so many suppliers having to go into the Supplier of Last Resort process (SoLR). Therefore, it is imperative that the distortions of BSUoS from a generator perspective (with a customer benefit estimated at ~£320m) are not replaced with additional risk for suppliers (with a potential detriment of many hundreds of millions of pounds).

CMP308 will only deliver its full potential value as long as Ofgem ensure that generators pass through their cost reductions into wholesale power prices as soon as possible. Suppliers (like ourselves) are already having to price increased BSUoS charges into tariffs that deliver power post April 2023. Without the equivalent reduction in wholesale price, suppliers will be left exposed to unfair overcharging of BSUoS and as such will have to reflect this additional risk in their BSUoS risk premia. As soon as suppliers can be confident that the wholesale price has incorporated the BSUoS reduction, then they will be able to reduce this BSUoS risk premium. Ofgem can hasten this customer benefit by careful monitoring of the wholesale price and applying pressure to generators who they believe are not passing on the BSUoS cost reduction as benefits.

We are also concerned that the impact of CMP308 is not taking a whole system perspective. We note that the impact assessment for CMP308 suggests that removing the BSUoS distortion will increase domestic CCGT generation and decrease domestic storage usage. However, the transition to Net Zero (and a zero-carbon electricity system by 2035) will mean a significantly higher need for flexible assets such as storage to ensure that the system can be operated safely and to maximise the value of intermittent generation and reduce the balancing actions needed. Therefore, whilst we do not believe that this issue should prevent the adoption of CMP308, we believe that Ofgem must look at further mechanisms to encourage flexibility. We acknowledge the Full Chain Flexibility work that Ofgem is currently undertaking but urge that delivery of any outcomes from this work are progressed at speed to mitigate the impact of CMP308 on new and existing flexible assets.

Finally, we would add that whilst we acknowledge that the Price Cap methodology will necessarily need to be adapted to allow for CMP308, the additional risk that CMP308 alone brings and the constraints placed upon suppliers by the cap will expose well run suppliers to potentially catastrophic BSUoS risk with no mitigation possible. The current CUSC modification CMP381 is a clear indication of the potential risks that suppliers could face under high BSUoS charges and CMP308 will only exacerbate these significantly. However, approval of CMP361/362 will ensure that this situation is avoided, and we highly recommend adoption of both code modifications.

We would stress again that E.ON is fully supportive of the adoption of CMP308 alongside CMP361/362 and that with changes to the support given to flexibility,

that CMP308 will deliver customer and industry benefit, removing distortions and encouraging competition.

Questions:

Q1. Do you agree with our assessment that CMP308 better facilitates the Applicable CUSC Objectives?

We are broadly supportive of Ofgem's assessment that CMP308 better facilitates Applicable CUSC Objectives (ACO) a (Facilitating effective competition), b (cost reflective charging) and e (Promoting efficiency in the implementation and administration of the system charging methodology) whilst being neutral for Objectives c (Taking account of the developments of transmission licensees' businesses) and d (Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency).

It is clear to us that the status quo does contain a difference (additional costs for large generators which are not appliable to small generators and interconnectors) which adversely impacts the generation cost stack and hence generators bidding strategies both in the wholesale market, ancillary services and support mechanisms. The question is whether the additional BSUoS charges are due to costs that only large generators cause and which small generators and interconnectors do not cause. It is true that large generators will in part create issues on the system that the ESO needs to remedy through the Balancing Mechanism (BM) and ancillary services (such as response and reserve). Incorrect forecasting of generation output (due to unexpected trips or weather) which is captured in a generator's final physical notifications (FPNs) will throw the system out of balance and need rectifying. However, interconnectors and small generation that participate in the wholesale market (and which therefore also must submit FPNs) are equally liable to causing these issues. Therefore, it seems only right that they must also pay their fair share of these costs, costs which they currently do not do. This, it would seem to us, is a clear case of a market distortion which hampers fair competition and, on that basis, would mean that CMP308 better facilitates ACO a) and b). By removing BSUoS for large generation (and placing it on Final Demand) rather than trying to incorporate small generation and interconnectors[1] into the charge would then also better facilitate ACO e).

Q2. Do you agree that charging BSUoS charges only to Final Demand reduces distortions between Large Generators and other forms of generation? Please explain why.

As we highlighted in Q1, removing the BSUoS charge from large generation will reduce distortions between large generation and other forms of generation and is the most efficient route to achieving this goal (rather than incorporating small generation and interconnectors into BSUoS). As the BSUoS taskforce identified BSUoS as a cost recovery charge, the total cost should be passed through to the end

[1] This would require major negotiations with the EU as we believe that charging BSUoS on interconnectors runs contrary to EU rules

customer either via the wholesale market (as is done today) or by placing the whole cost onto Final Demand (as is proposed). As was recognised by some members of the CUSC panel though, it will be imperative that the wholesale market is carefully monitored to ensure that these cost reductions for large generators are passed on to customers through lower wholesale prices and are not taken as additional windfall profit by large generators. We believe that the competitiveness of the generation market is probably sufficient to ensure that this does not happen on average. Nevertheless, to ensure consumers do see the full benefits of the removal of this market distortion, we would urge Ofgem to monitor the situation carefully, especially in light of the very high BSUoS charges that the market has seen presently. Where there is evidence that this is not happening, Ofgem should use all enforcement powers at its disposal to act as a deterrent to those generators in the market who may be contemplating strategies that are not in the interest of customers and deliver poor outcomes .

Q3. Do you have any views on the impact of this proposal on Behind The Meter Generation and its competitiveness?

It is our opinion that any impact that CMP308 will have to Behind The Meter Generation (BTMG) is dependent on the BSUoS risk premia that generators and suppliers add to the wholesale price and the retail price. If generators on average have a higher BSUoS risk premium than suppliers, then the impact of CMP308 will be to slightly lower retail prices and therefore reduce the business case for BTMG very marginally. If, however, generators on average have a lower BSUoS risk premium than suppliers, then the impact of CMP308 will be to slightly increase retail prices and therefore increase the business case for BTMG very marginally. For example (ignoring all other charges that are unaffected by CMP308):

Under the status quo (Table 1), Generator A generates power at a cost of £37/MWh. They sell their power for £40/MWh of which £2/MWh is the generator's BSUoS forecast and £1/MWh of which is the BSUoS risk premium Generator A adds to protect themselves from higher than forecast BSUoS costs. Supplier A buys this power for £40/MWh and adds £2/MWh for its forecast for BSUoS and a further £2/MWh for the BSUoS risk premium Supplier A adds to protect themselves from higher than forecast BSUoS costs. The supplier then sells this power to Customer A for £44/MWh. However, Customer A has BTMG and can avoid having to buy some of their demand from Supplier A.

Under the proposal (Table 2), Generator A can now sell their power for £37/MWh with no BSUoS charge or BSUoS risk premium. Supplier A buys the power at £37/MWh but has to add on £4/MWh for BSUoS[2] and £4/MWh for their BSUoS risk premium, meaning that they sell the power to Customer A at £45/MWh. Under this circumstance, the value of BTMG has increased by £1/MWh. However, if the BSUoS risk premia were reversed i.e. Generator A had a BSUoS risk premium of £2/MWh and Supplier A had a BSUoS risk premium of £1/MWh then the value of BTMG would decrease by £1/MWh

[2] Here we have assumed BSUoS is split 50/50 between generation and demand

Status quo								
Generator A				Supplier A				Customer A
Cost £/MWh			Income £/MWh	Cost £/MWh			Income £/MWh	Cost £/MWh
Fuel	BSUoS	BSUoS risk premium		Wholesale	BSUoS	BSUoS risk premium		
37	2	1	40	40	2	2	44	44
37	2	2	41	41	2	1	44	44

Table 1 - Split of costs for generators, suppliers, and customers under the status quo. All costs are purely illustrative

Under CMP308								
Generator A				Supplier A				Customer A
Cost £/MWh			Income £/MWh	Cost £/MWh			Income £/MWh	Cost £/MWh
Fuel	BSUoS	BSUoS risk premium		Wholesale	BSUoS	BSUoS risk premium		
37	0	0	37	37	4	4	45	45
37	0	0	37	37	4	2	43	43

Table 2 - Split of costs for generators, suppliers, and customers under CMP308

For BTMG exports, the impact of CMP308 will be similar to that felt by small distributed generators i.e. the existing distortion will be removed and therefore BTMG bidding into ancillary services will now have its advantage removed. However, if BTMG is participating in the various national markets, they will be as liable to creating imbalance as any other generator and therefore should be paying the same charges as all other generators.

Q4. Do you have any views on our reasoning on this proposal's effect on price signals or generation dispatch?

Recent levels of BSUoS (>£12/MWh in Nov 2021) will have had a significant impact on generation dispatch (both self and ESO led) for the different cost stacks under today's BSUoS generation eligibility rules. At these levels it is clear that the non-cost reflective BSUoS charge could easily push efficient large generation down the merit order both in the prices that generators are prepared to sell at in bilateral sales or in national markets and services. As NGESO's long term forecasts are that BSUoS will continue to increase until new transmission assets come online in 2030, then what we have seen in Q4 2021 could be a precursor to the long-term impact BSUoS may have on efficient dispatch through the 2020s. Therefore, CMP308 will help reduce inefficient dispatch of generation assets for the long term.

With regard to demand side assets e.g. BTMG, Demand Side Response, we believe that BSUoS is not a sufficiently clear signal (in that BSUoS currently is an ex post charge and therefore demand side would be acting on a forecast and not a certain charge) that demand side can act upon it. The first BSUoS taskforce also held the same view. Therefore, we believe that the prospect of a distortion through CMP308 where customers reduce their demand due to high BSUoS charges is highly unlikely.

Q5. Do you have any views on our reasoning on this proposal's effect on competition between different generator types?

We agree that this proposal is likely to improve the economics of large generators. Of these, transmission connected renewable generators should be able to pass on the reduction in cost through lower strike prices in the CfD. However, CfD renewables are shielded from wholesale price movements and therefore operational running is unlikely to be any different under CMP308. Nuclear tends to sell most of its output through long term bilateral contracts and is therefore less exposed to shifting BSUoS charges altering its position in the merit order. Merchant renewables, due to their relatively low short run marginal cost, tend to run whenever they can and are also not significantly impacted in terms of running. CCGTs are likely to be the most impacted generator type from this proposal, seeing their competitiveness increase against interconnectors and distributed generation. This can be seen from Ofgem's impact assessment and in particular, the impact on UK carbon emissions.

We do disagree with Ofgem in that we believe that the removal of BSUoS charges for large generators will not incentivise efficient investment in the right locations. In 4.13 of the minded to decision, Ofgem states

4.13. … In a world where renewable investment may take place without the need for subsidies, we would expect benefits from a more level playing field in ensuring that investment is located and connected in the most efficient way.

However, as BSUoS is a national charge, its removal alone will not ensure that investment is located in the most efficient way as there is no locational signal to encourage this. We hope that future Ofgem policy reforms[3] will look to address this locational problem.

Q6. 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?

We agree that CMP308 is likely to marginally increase carbon emissions from the GB energy system but lower them from an overall perspective. However, this is a result of interconnector generation being classed as zero carbon in the GB market and that by removing the GB BSUoS distortion the most cost-effective plant (including carbon costs) ought to run whether it is in the UK or in the EU.

Q7. Do you have views on whether and the extent to which the changes proposed in this modification have already been incorporated into supplier decisions?

As a supplier which sells long term contracts, we have been pricing the impacts of CMP308 into our recent tariffs that run past April 2023. This policy change was implemented in Nov 2020 (after the second BSUoS taskforce final report). We have

[3] e.g. Access and Forward Looking SCR and a potential TNUoS SCR

sold some long term (3-4 year) fixed contracts that run post April 2023 before this policy change came into force and as such, we are exposed from this proposed BSUoS change although 3–4-year contracts are not very common. It is key that Ofgem ensure that generators pass this saving through into Q2 2023 and Summer 23 wholesale prices as soon as possible and at the very latest by formal Ofgem approval of CMP308. If there is a significant delay, then customers will be exposed to contracts that have double supplier BSUoS charges as well as generation BSUoS charges.

Q8. 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?

As outlined in Q7, as a retailer offering 3–4-year fixed contracts, we are currently exposed to under recovering BSUoS for those contracts that we have not priced CMP308 into (see Tables 3 and 4). We will have purchased power ahead for these contracts that incorporate a generation BSUoS charge but will then be charged roughly twice the BSUoS charge after delivery (where delivery is post Apr 2023). Under these circumstances, the customer will have not been adversely affected because they will be billed for power that incorporates generation BSUoS, but only for a single share of supplier BSUoS (broadly the same as no generation BSUoS and double supplier BSUoS). The generator will benefit as they will be paid for power that incorporates their old BSUoS charge but will in fact end up not paying it for power delivered post Apr 2023. As a supplier, we shall be adversely and materially impacted as we shall have paid for power incorporating generation BSUoS and will then have to pay the double BSUoS charge for power delivered post Apr 2023.

Energy purchased for existing tariffs that do NOT have CMP308 included in the price(delivery between now and Apr 23)										
Generator				Supplier						Customer
Cost £/MWh			Income £/MWh	Cost £/MWh				Income £/MWh	Profit £/MWh	Cost £/MWh
Fuel	BSUoS	BSUoS risk premium		Wholesale	BSUoS	BSUoS risk premium	Total cost			
37	2	1	40	40	2	1	43	43	0	43

Table 3 - Split of costs for generators, suppliers, and customers for existing fixed tariffs (delivery pre-Apr 23) where CMP308 has not been included in the price. For simplicity we assume BSUoS risk premium are the same for generators and suppliers, All costs are purely illustrative

Energy purchased for existing tariffs that do NOT have CMP308 incorporated (delivery post Apr 23)										
Generator				Supplier						Customer
Cost £/MWh			Income £/MWh	Cost £/MWh				Income £/MWh	Profit £/MWh	Cost £/MWh
Fuel	BSUoS	BSUoS risk premium		Wholesale	BSUoS	BSUoS risk premium	Total cost			
37	0	0	40	40	4	2	46	43	-3	43

Table 4 - Split of costs for generators, suppliers, and customers for existing fixed tariffs (delivery post Apr 23) where CMP308 has not been included in the price

Therefore, it is our belief that customers will not be adversely impacted under these circumstances.

However, customers will be adversely impacted for existing long term fixed tariffs where suppliers have priced in the impact of CMP308, but where the BSUoS saving has not been passed through by the generator. In this situation, the supplier will have bought power that incorporates a generation BSUoS charge and will be passing that through to the customer alongside a double supplier BSUoS charge (see Table 5 and 6).

Energy purchased for existing tariffs that do have CMP308 included in the price (delivery between now & Apr 23)										
Generator				Supplier						Customer
Cost £/MWh			Income £/MWh	Cost £/MWh				Income £/MWh	Profit £/MWh	Cost £/MWh
Fuel	BSUoS	BSUoS risk premium		Wholesale	BSUoS	BSUoS risk premium	Total cost			
37	2	1	40	40	2	1	43	43	0	43

Table 5 - Split of costs for generators, suppliers, and customers for existing fixed tariffs (delivery pre-Apr 23) where CMP308 has been included in the price

Energy purchased for existing tariffs that do have CMP308 included in the price (delivery post Apr 23) but where generators fail to pass on BSUoS savings										
Generator				Supplier						Customer
Cost £/MWh			Income £/MWh	Cost £/MWh				Income £/MWh	Profit £/MWh	Cost £/MWh
Fuel	BSUoS	BSUoS risk premium		Wholesale	BSUoS	BSUoS risk premium	Total cost			
37	0	0	40	40	4	2	46	46	0	46

Table 6 - Split of costs for generators, suppliers, and customers for existing fixed tariffs (delivery post Apr 23) where CMP308 has been included in the price, but generators have not passed on BSUoS savings

This is why we believe that it is essential that Ofgem investigate wholesale prices to ensure that this cost saving for generators has been passed on. If Ofgem believe that this is not the case, then generators need to explain why they have delayed passing through the saving of a code modification that has already had informal approval from Ofgem.

Q9. Do you have views on this proposal's impacts on generator and supplier risks, including on exposure to volatile charges?

CMP308 will help to remove wholesale market distortions, but on its own it will dramatically increase suppliers' risks, especially for a future where BSUoS is set to increase significantly. Without any further mitigation, suppliers will have to significantly increase the risk premium it applies to fixed tariffs, thereby increasing

costs for customers[4]. Therefore, it is our opinion that CMP308 only works in conjunction with CMP361/362 which proposes to make BSUoS a fixed ex ante charge. This allows suppliers to have a much better idea of what the BSUoS charge across the entirety of a multi-year fixed tariff should be and therefore reduces the risk premium needed to protect themselves. NGESO will take up some of the risk through delayed payment of the actual BSUoS costs (compared to the ex-ante BSUoS they will set) into later years through K factors. This way of sharing risks amongst the industry in order to reduce costs for customers has already been shown to work for TNUoS.

Q10. Do you have views on the interactions between this proposal and other changes in the sector, including other BSUoS charging reform proposals?

See Q9.

Q11. Do you have views on the modelled assessment of consumer and energy system benefits? Please provide quantitative analysis and any further information.

We believe that the consultant's report is thorough and covers most areas that we deem to be material in terms of consumer and energy system benefits. We are slightly concerned that one of the modelled impacts that removing BSUoS for large generators may be the reduction in 'generation' from storage. We do not disagree with the modelling, but rather that it is an unintended (and unwanted) consequence. It is clear to us that storage will be essential as more and more intermittent renewables are added to the system to ensure that the full value of these uncertain low carbon generators is realised. Revenue streams for storage are currently piecemeal and inadequate and this report suggests removal of generation BSUoS may make this worse. We appreciate that incentivising storage is not one of the key outputs from this analysis, but it is important to take a holistic view of all code modifications to ensure no unintended consequences occur. We believe that other reforms to support flexible assets like storage will be needed with or without CMP308, but it is important to understand what the counterfactual for flexibility reform will be.

Q12. Is our assessment of non-monetised costs and benefits reasonable? Are there any other factors we should consider?

We do not believe that there are any non-monetised costs and benefits that have been missed in this assessment.

Q13. 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?

Yes

[4] The increase in supplier risk premia will be higher than the reduction from the removal of generator risk premia as the absolute risk is higher for a smaller number of industry participants whereas under the status quo that risk is spread out amongst more players.

Q14. Do you consider that Ofgem has duly considered all relevant consumer and system benefits? Are there any areas which could benefit from further analysis?

With the possible exception of impact on system flexibility (see Q11) we believe that Ofgem has duly considered all relevant consumer and system benefits.

Q15. 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?

We wholeheartedly support Ofgem's assumption that CfD adjustment payments for all CfD generators should no longer be paid (for existing and new contracts). However, we do recognise that CfD adjustment payments are already incorporated into existing CfD contracts and were part of each generator's business case. Therefore, we believe that Ofgem/BEIS should investigate the options around renegotiation of these contracts as soon as a final decision is made around CMP308. Without renegotiation these generators are liable to many months of windfall profits which will be detrimental to the customer benefit case presented by this report, wiping out most of the £320m customer savings.

Q16.Do you have views on the impacts of this proposal on end consumers, including large users and vulnerable users?

We acknowledge the relatively small impact of this proposal on domestic customers (<£1 pa for customers with an unrestricted profile and ~£3 pa for E7 customers) and do not believe that that there is a significant distributional effect for vulnerable customers as vulnerability is present in all consumption groups and profiles. We believe that alongside CMP361/362 that the overall impact is likely to be positive for all customers but even without the additional code modification, customers are unlikely to be dramatically impacted regardless of archetype. The same is true for higher consuming commercial and I&C customers with bill reductions for commercial customers (due to their demand profile being skewed towards the day when BSUoS charges tend to be lower) and bill increases of a few thousand pounds for even the largest I&C customers.

Q17. Do you agree with our assessment that reduced costs to generators are likely to feed through into lower wholesale prices?

We believe that the generation market is highly competitive and that it is unlikely that generators will be able to hold onto cost savings (from CMP308) rather than pass them through in the wholesale price in general. However, we fear that there are times when forward markets are relatively illiquid, giving generators who are present more market power and therefore more of an opportunity to not pass through the full value of the modifications savings. Therefore, we believe that it is paramount that detailed market monitoring by Ofgem is put in place to ensure that customers are seeing the full benefit of this code modification and that generators

are behaving in a fair and transparent manner. As well as monitoring the situation, Ofgem and BEIS need to consider whether current low carbon policy (CfDs and the capacity mechanism) is fit for purpose. Many commentators have identified issues surrounding the current Electricity Market Reform (EMR)[5]. CfDs are taking more and more generators outside of the wholesale market, giving remaining generators more market power to take advantage of just this type of situation. We would urge Ofgem and BEIS to urgently review how electricity market policy can be updated to deliver our Net Zero ambitions.

Q18. Do you agree with our assessment that this policy will not have any significant material impacts on vulnerable users?

As stated in Q16, we believe that the materiality of this policy to an individual customer will be relatively low and as such will not have any significant impact on vulnerable customers.

Q19. Do you agree with our assessment that this modification is unlikely to lead to any significant impacts on essential services or supply chains?

We agree with Ofgem's assessment that this modification is unlikely to lead to any significant impacts on essential services/supply chains due to the low materiality level, even for large consuming customers.

Q20. 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?

This modification will necessitate appropriate changes to the Price Cap methodology to ensure that suppliers are able to pass through the correct level of BSUoS to customers protected by the Price Cap. The current BSUoS methodology within the Price Cap has been shown to be inadequate under recent high BSUoS charges, adding significant cost to suppliers by using historical values to estimate the current BSUoS level[6]. The level of headroom within the Price Cap methodology has been demonstrated to be wholly insufficient and is ensuring that well run suppliers cannot make any profit from these customers. We believe that changes from CMP308 will exacerbate these issues and as such it is vital that CMP361/362 (fixed ex ante BSUoS charges) are also approved as soon as possible and factored into the Price Cap methodology to remove this significant working capital risk to suppliers. The current estimates[7] of the cost associated with the recent high BSUoS charges are £600m across the retail industry and if BSUoS prices remain high this

[5] Energy Systems Catapult's Rethinking Electricity Markets, Policy Exchange's Powering Net Zero

[6] The current BSUoS methodology within the Price Cap allows suppliers to charge the weighted average BSUoS for the 12 months prior to the charging period with a two month gap e.g. for the charging period Apr 22- Sep 22 which is set in Feb 22, the weighted average of the period Jan 21 – Dec 21 is used whereas for the charging period Oct 22 – Mar 23 which is set in Aug 22, the weighted average of the period Jul 21 - Jun 22 is used.

[7] See CMP381 workgroup report https://www.nationalgrideso.com/uk/electricity-transmission/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp381-defer

is likely to exceed £1b before the end of the winter due to suppliers' inability to pass through this real cost to customers.

Q21. Do you agree with our proposed implementation date of 1 April 2023? Please provide your reasoning.

We agree with Ofgem that implementation should be 1 April 2023. If this implementation date slips, then it will cause customer detriment as suppliers are already pricing into tariffs the effect of this policy from that date.

Q22. Do you have any other information which is relevant to this consultation?

No