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Sent via email to: [bsc.change@elexon.co.uk](mailto:bsc.change@elexon.co.uk)

Dear Matthew,

### **P378 'Introduction of a CM Supplier Interim Charge' Consultation Response**

I am writing in response to the consultation published on 16<sup>th</sup> January 2019 on the proposed Balancing and Settlements Code (BSC) Modification P378 'Introduction of a CM Supplier Interim Charge'.<sup>1</sup>

With the current suspension of the Capacity Market (CM), many of Energy UK members (and other CM participants) are experiencing an increased level of uncertainty over what is the loss of a major income stream. The Department of Business, Energy and Industrial Strategy (BEIS) have expressed on numerous occasions their anticipation of a positive outcome from the European Commission's (EC) review of the CM. Upon a positive outcome, BEIS have signaled that it would be appropriate that those capacity providers who have met the obligations stipulated in their capacity agreements in the Standstill Period be remunerated in accordance with their agreed payments.

Energy UK strongly support the resumption of the CM Supplier Charge and note that this has been confirmed as admissible by the EC. The continued collection of the Supplier Charge would provide a welcome level of certainty to CM participants that, in the expected event of a positive decision on the CM review, Standstill Period payments are available and can be paid to capacity providers promptly. The continued collection of the CM Supplier Charge would also mitigate the financial shock to suppliers in the expected scenario of a positive decision by the EC when back payments are requested by the Electricity Settlements Company (ESC). In addition, the continuation of the Supplier Charge collection would minimise the amount required to be mutualised in the event of a supply company ceasing to trade.

As noted in Energy UK's response to BEIS's Consultation on 'Proposals for Technical Amendments to the CM', we strongly prefer maintaining the existing ESC route for collection of the CM Supplier Charge. However, we acknowledge that the feasibility of this option is pending final decision from BEIS. Taking this into account, we are supportive of the option to recover the CM Supplier Charge through the introduction of the P378 modification on an interim basis until either

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<sup>1</sup> One member of Energy UK does not support the views reflected in this letter.

the ESC charge route is made possible, or the EC comes to a final decision on the CM. We recommend that this modification actions the collection of the CM Supplier Charge from the 1<sup>st</sup> October 2018 and makes allowances to cover the entire period until either the ESC collection route can be reappraised, or the Standstill Period comes to an end. In the scenario of the ESC collection route being able to recommence, or a positive decision on the CM review, all collected charges, accurately accounted for in regards to supplier contributions must be transferred to the ESC as soon as practically possible. Likewise, in the unlikely event of a negative decision on the CM review, all collected charge contributions must be returned to suppliers in full as soon as practically possible. Taking into account these conditions, Energy UK supports BSC Modification P378 covering charge collection for Delivery Year 2019/20.

Energy UK welcomes the joint efforts of industry and Elexon in shortening the timeframes of the modification process as much as possible. If approved by the Authority, the implementation of this modification is expected in the coming weeks, but will likely be escalated to the Authority for approval shortly before 7<sup>th</sup> February 2019. The short lead time raises concerns around how this modification would be factored in to the Price Cap Period 2 calculation (announcement due 7<sup>th</sup> February 2019). We strongly recommend that communication channels remain open with Ofgem to allow them to make an informed and appropriate decision, and Energy UK remain committed to assisting this through our regular forum with key stakeholders, BEIS, Ofgem, Elexon and the ESC. Energy UK have made further representations on how the CM Supplier Charge should be accounted for in a letter to Ofgem dated 23/01/2019 in response to its open letter on 'Capacity market allowance in the default tariff cap'.

If you would like to discuss further any of the above, please feel free to contact me.

Yours sincerely,

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