

Email to:

ElectricityNetworkCharging@ofgem.gov.uk

10 January 2022

To whom it may concern,

CMP308 – Minded-to decision and draft impact assessment

Scottish Renewables is the voice of Scotland's renewable energy industry. The sectors we represent deliver investment, jobs, social benefits and reduce the carbon emissions which cause climate change. Our members work across all renewable energy technologies, in Scotland, the UK, Europe and around the world. In representing them, we aim to lead and inform the debate on how the growth of renewable energy can help sustainably heat and power Scotland's homes and businesses.

Scottish Renewables support the CMP308 implementation. We agree with the finding that the removal of BSUoS charges from GB generators would better align the GB 'generation cost stack' with the costs faced by EU generators and would deliver more effective competition. We also agree with the finding that this would benefit end consumers, by ensuring generation dispatch and investment in new generation is more efficient than under the status quo arrangements. Therefore, we support the recommendation that BSUoS charges should be paid by final demand only. We believe that removing BSUoS Charges from generators will level the playing field for transmission and distribution generators.

With respect to the assessment of the decarbonisation impact of this proposal, Scottish Renewables believe that the implementation of CMP308 is likely to make the investment needed to achieve net-zero targets more efficient. The CMP308 will remove a potentially volatile charge from generation investment that is only paid by certain parties, and in doing so will improve the functioning of the market. As a result, we could also expect a more level playing field for renewables and storage technologies.

However, we think that careful consideration now needs to be made around implementing this change across the industry, noting the interactions with wider subsidy support. Key to this is the need to ensure certainty for existing CfD generators, who face the possibility of a cliff-edge scenario where BSUoS adjustments are cut out of CfD contracts from 2023. This scenario would not give the appropriate reconciliation time to account for differences in actual and indexed values, which if high BSUoS prices continue in 2022/23 could leave generators out of pocket the following year with no mechanism to recover such costs.

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Yours sincerely,

A handwritten signature in black ink, appearing to read "Angeles Sandoval". The signature is fluid and cursive, with a long horizontal flourish extending from the end of the name.

Angeles Sandoval
Policy Manager | Networks & Markets