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Ruben Pereira  
Policy Manager  
Electricity Network Charging  
Ofgem

**30 November 2022**

Dear Ruben,

We welcome the opportunity to respond to Ofgem's consultation on its updated minded-to decision and draft impact assessment on CMP361 and CMP362. We also welcome Ofgem's recognition of the issues we and others identified with the operation and size of the BSUoS fund included under WACM5 as well as the impact it has on the overall benefits of the core CMP361 solution.

Citizens Advice agrees, in principle, with Ofgem's central preference to recover BSUoS as a flat volumetric charge set on an ex-ante basis with 3 months notice for a 12 months fixed tariff period. We agree that, on balance, this provides a greater degree of accuracy in the forecasting of BSUoS and should result in the risk of a tariff reset being lower, reducing risk premia associated with this.

**Question 1: What do you consider to be the right level of risk (P level) to set the value of the BSUoS Fund? Given the BSUoS Fund estimates shared in this document, would you support a lower P Level than P99 as in our minded-to position (WACM5)? If so, what level would you consider to be most appropriate? We particularly welcome confidential responses from suppliers regarding the level of risk that they consider to be appropriate,**

**and if this should be analogous to the level of risk they incorporate for managing BSUoS cost risk under the current arrangements.**

We are not in a position to offer a view of a correct P-level. However, the appropriate level should ensure that, overall, CMP361 still provides a net benefit to consumers. To do so, the costs placed on consumers in paying for a BSUoS Fund and the risk premia that suppliers would reinstate to manage the risk of the BSUoS tariff being reset must not wholly erode the benefit to consumers from reducing risk premia by moving risk from suppliers to the ESO.

Ofgem recognises that the combination of a BSUoS Fund and the current high BSUoS costs mean that the benefits associated with the minded to position would now be marginal or potentially negative - ie CMP361 in the current energy market conditions would be more costly to energy consumers than the status quo. Where a BSUoS Fund is included we support in principle a lower P Level than P99 in the expectation that lower P-levels and therefore smaller fund sizes may increase the potential of delivering consumer benefits both in the short and longer term. We welcome that a final impact assessment demonstrating the benefits to consumers will accompany Ofgem's decision.

We recommend that given the uncertainty about the ESO's future ability to provide a Working Capital Facility of £300million as a result of the creation of the Future System Operator (FSO), that the benefits and costs of CMP361, with and without a fund, are assessed in a scenario where the Working Capital Facility is no longer available which would increase the costs to consumers. Given the uncertainties about the overall benefits we believe the benefits case should be clearly positive in both scenarios, where the working capital facility is and is not available, in order to be clearly in consumers interests in the longer term.

We also recommend that Ofgem should ensure there is a review process in place should ESO forecast accuracy improve to the extent that P levels are considered unnecessarily high and could be reduced.

**Question 2: Do you have any further views on the trade-off between certainty of fixed tariffs not having to be revised in-period and the potential cost to consumers of providing that certainty?**

No response.

**Patron HRH The Princess Royal      Chief Executive Dame Clare Moriarty**

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**Question 3: Considering the supplementary information provided in this document, would you change any part of your response to our initial consultation?**

No. We remain comfortable that a 3 months notice, 12 months fix option with no BSUoS fund is evidenced as being in the interests of consumers. At present, we do not consider that including a BSUoS fund at P-99, as WACM5 requires, or at any P level, is currently well justified or clearly in consumers interests and we are concerned that evidence will not be available until Ofgem publishes its final decision.

Yours sincerely,

Sam Hughes

**Senior Policy Researcher**

**Patron HRH The Princess Royal      Chief Executive Dame Clare Moriarty**

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