

BSUoS Outturn

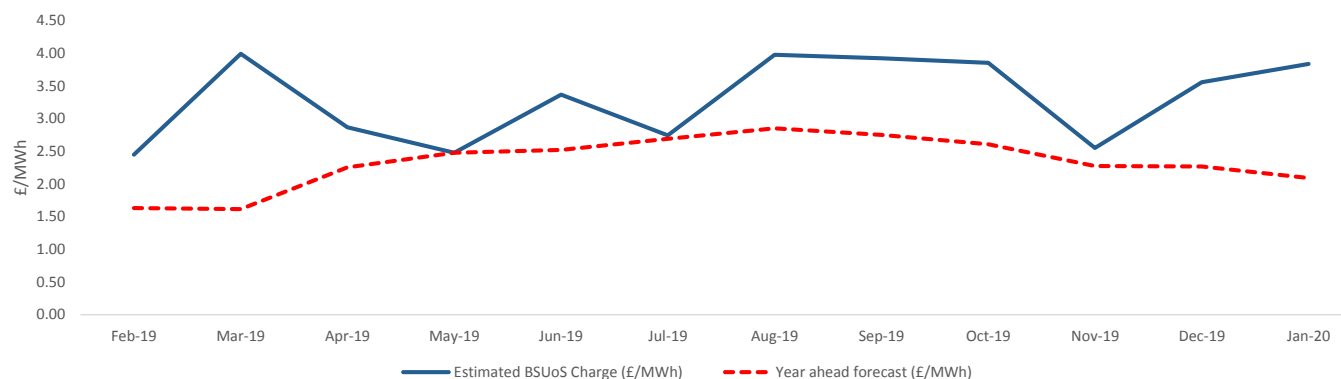
Average BSUoS charge	£/MWh
Jan-20	3.84
Past 12 months	3.30
2018/19	2.88

Outturn costs for January were higher than December. Higher constraint costs were once again the main cause of the increase driven by high levels of wind and the loss of the Western Link HVDC on 10th January.

The BSUoS volume was up slightly by 0.6TWh on December.

The blue line on the chart shows the estimated monthly average BSUoS charge for the past 12 months. The red line shows our forecast for each month, made at year ahead. The table shows a breakdown of the elements that make up the BSUoS charge (including volume), broken down by cost category. The total cost divided by the volume gives the estimated average charge.

Historical outturn vs year ahead forecast



Month	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
Energy Imbalance	-5.1	0.2	-0.8	0.0	2.2	-0.4	2.4	2.5	7.4	6.0	8.8	8.8
Operating Reserve	4.7	4.4	4.7	4.8	4.6	4.4	6.3	7.4	7.6	9.7	12.2	8.5
STOR	4.6	5.1	3.8	4.0	4.6	4.4	4.3	3.7	6.3	3.9	3.9	4.1
Constraints - E&W	21.2	23.3	16.7	14.8	43.5	24.0	41.7	34.1	47.4	20.5	43.7	33.0
Constraints - Cheviot	11.1	30.8	17.3	0.4	0.1	1.6	1.8	10.5	18.3	5.9	10.4	21.4
Constraints - Scotland	10.5	31.6	4.2	6.0	0.9	3.2	11.6	9.8	8.6	6.0	19.0	37.7
Constraints - AS	6.8	6.5	5.2	2.4	1.4	2.4	1.9	2.9	1.2	2.3	2.3	2.0
Negative Reserve	0.1	0.1	0.3	0.1	0.7	0.1	1.4	2.0	0.3	0.1	0.2	0.4
Fast Reserve	7.8	8.2	8.6	7.4	7.6	7.7	6.9	8.2	8.3	7.8	6.8	6.8
Response	9.1	11.5	9.7	11.0	10.3	10.1	13.9	15.9	15.1	14.5	13.8	13.6
Other Reserve	1.4	1.3	1.5	1.5	1.5	1.3	1.8	1.5	1.5	1.4	1.2	1.2
Reactive	6.1	6.0	5.9	6.7	6.1	5.7	5.7	5.8	5.5	4.9	5.4	4.8
Minor Components	2.0	12.6	3.0	1.6	2.1	2.7	5.2	2.8	2.7	3.3	1.5	1.5
Black Start	3.6	5.3	3.6	3.6	3.2	3.8	3.4	3.6	3.6	3.5	3.7	3.4
Total BSUoS	83.8	147.0	83.7	64.3	88.7	71.0	108.4	110.9	133.8	89.6	132.6	147.4
Estimated BSUoS Vol (TWh)	40.6	41.2	38.2	36.7	34.1	35.6	34.0	34.9	41.6	44.9	44.5	45.1
Estimated Internal BSUoS (£m)	14.5	16.1	24.9	25.7	24.9	25.7	25.7	24.9	25.7	24.9	25.7	25.7
ESO Incentive	1.2	1.3	1.0	1.0	1.0	1.0	1.0	1.0	-1.4	-2.5	-2.5	-2.5
ALoMCP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	2.4	2.4	2.4
Estimated BSUoS Charge (£/MWh)	2.45	3.99	2.87	2.48	3.37	2.74	3.98	3.92	3.85	2.55	3.56	3.84
Year ahead forecast (£/MWh)	1.63	1.62	2.25	2.48	2.52	2.69	2.85	2.75	2.61	2.28	2.27	2.09

BSUoS Forecast

Average BSUoS charge	£/MWh
Feb-20	3.77
2019/20	3.38
2020/21	3.16
Next 12 months	3.34

Western Link HVDC has returned to service, however high levels of wind are still causing significant costs. An uplift has been applied to energy imbalance to reflect the trend observed in this area.

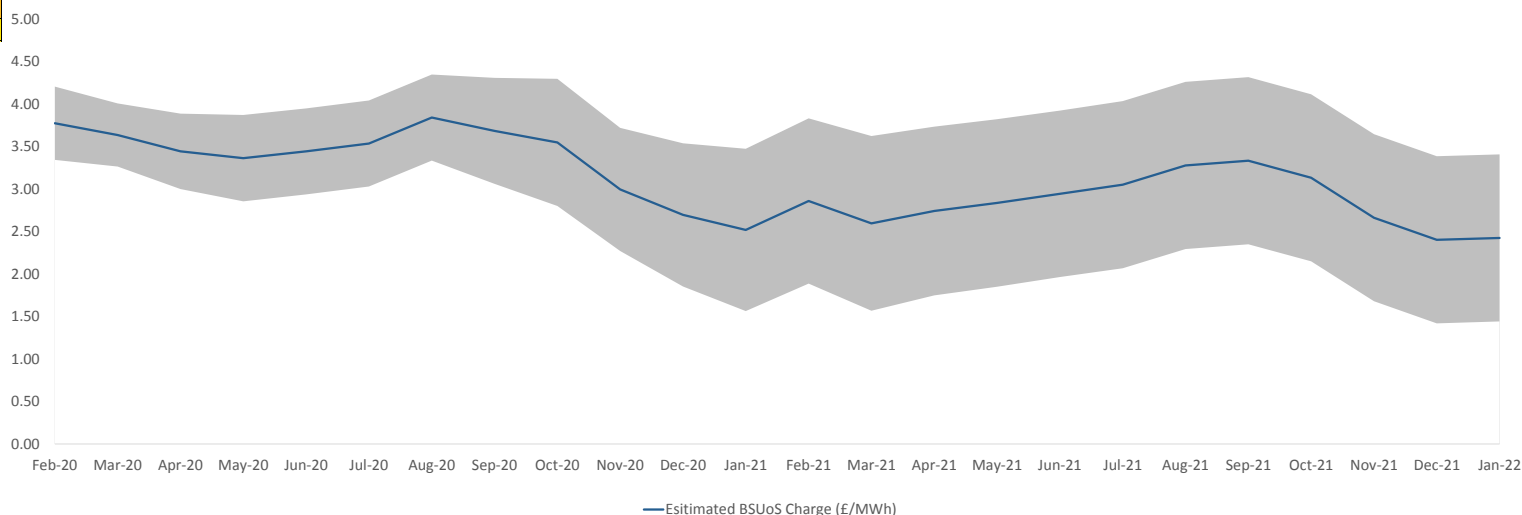
Accelerated Loss of Mains Change Programme: an additional line has been added to the forecast for the recovery of the costs of the Loss of Mains Change Programme. £100m will be recovered over a 2 year period from October 2019, £2.4m per month for the first 6 months and £4.8m for the following 18 months. Programme benefits are expected to be in excess of £150m per annum.

Changes have been made to the ESO incentive scheme element of the BSUoS charge, details can be found in the Ofgem letter: https://www.ofgem.gov.uk/system/files/docs/2019/10/authorities_consult_new.pdf

Ofgem have made their Targeted Charging Review (TCR) decision which states that BSUoS should be charged to suppliers based on a gross rather than net basis. We have since raised a CUSC modification (CMP333) to deliver this. In addition, Ofgem have requested that the ESO lead a second task force to establish who should pay BSUoS and how in the future. Until both CMP333 and the second task force conclude, it should be noted that the impact on BSUoS is not certain.

The chart shows the average monthly BSUoS forecast for the next 24 months. The grey band shows the upper and lower range of the forecast. The forecast uses a combination of forecast models and historical data. Constraint costs are adjusted in line with major changes to the outage plan, system faults, and commissioning programmes. The other energy cost categories are forecast using a baseline of historical trends with adjustments for expected changes in system operation or balancing services markets.

24 month rolling forecast with error bands



Month	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
Energy Imbalance	5.5	5.6	2.5	4.8	3.2	4.1	3.5	-1.8	-0.9	-1.0	-1.1	-0.3	1.7	-1.2	-6.4	-4.4	-3.7	-2.9	-3.6	-1.8	-0.9	-1.0	-1.1	-0.3
Operating Reserve	10.4	12.9	8.3	9.0	5.8	7.0	8.2	14.1	16.4	16.1	11.9	10.1	12.9	13.2	8.3	9.0	5.8	7.0	8.2	14.1	16.4	16.1	11.9	10.1
STOR	7.1	7.6	5.2	5.6	5.4	6.0	5.8	6.3	6.2	7.4	7.5	7.6	6.5	7.4	5.2	5.6	5.4	6.0	5.8	6.3	6.2	7.4	7.5	7.6
Constraints	81.3	79.1	43.5	36.7	36.5	37.7	46.7	50.4	53.2	49.9	43.7	37.0	42.8	38.8	38.9	39.5	39.2	40.5	49.5	53.1	56.0	52.6	46.5	39.8
Negative Reserve	0.3	0.2	0.4	0.9	1.6	1.8	1.7	1.8	1.2	0.5	0.5	0.6	0.1	0.2	0.4	0.9	1.6	1.8	1.7	1.8	1.2	0.5	0.5	0.6
Fast Reserve	7.8	9.9	9.0	9.0	8.8	9.1	9.6	8.8	9.1	9.4	10.0	10.3	8.7	9.7	9.0	9.0	8.8	9.1	9.6	8.8	9.1	9.4	10.0	10.3
Response	11.9	13.6	13.8	14.6	13.9	14.6	15.1	13.3	13.3	13.1	13.3	13.1	12.3	13.4	11.8	12.6	11.9	12.6	13.1	11.3	11.2	11.2	11.3	11.1
Other Reserve	1.0	1.0	1.1	0.9	1.0	1.2	1.3	1.0	0.9	0.9	0.9	0.9	0.9	1.0	1.1	0.9	1.0	1.2	1.3	1.0	0.9	0.9	0.9	0.9
Reactive	5.5	6.1	6.7	7.5	7.0	6.9	6.8	6.6	6.7	6.5	7.1	7.0	5.7	6.1	6.7	7.5	7.0	6.9	6.8	6.6	6.7	6.5	7.1	7.0
Minor Components	1.5	-0.6	3.0	3.0	2.6	2.6	1.5	1.1	2.1	0.6	1.0	-0.6	2.3	0.3	3.0	3.0	2.6	2.6	1.5	1.1	2.1	0.6	1.0	-0.6
Black Start	3.5	3.8	3.7	3.8	3.7	3.8	3.8	3.7	3.8	3.7	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Total BSUoS	135.9	139.2	97.2	95.6	89.6	94.8	104.1	105.2	111.9	107.1	98.6	89.5	97.7	92.8	81.9	87.2	83.6	88.4	97.7	106.1	112.7	108.0	99.3	90.4
Estimated BSUoS Vol (TWh)	42.2	45.3	35.3	35.8	33.1	33.8	33.6	35.1	38.6	43.9	45.8	45.4	42.2	45.3	38.7	39.5	36.6	37.1	37.4	39.1	42.4	47.9	49.7	45.5
Estimated Internal BSUoS (£m)	23.2	25.7	18.4	19.0	18.4	19.0	19.0	18.4	19.0	18.4	19.0	19.0	17.2	19.0	18.4	19.0	18.4	19.0	19.0	18.4	19.0	18.4	19.0	19.0
ESO Incentive	-2.3	-2.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
ALoMCP	2.4	2.4	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8
Estimated BSUoS Charge (£/MWh)	3.77	3.63	3.44	3.36	3.44	3.53	3.84	3.68	3.55	2.99	2.69	2.52	2.86	2.59	2.74	2.83	2.94	3.05	3.28	3.33	3.13	2.66	2.40	2.42

High Error Band (£/MWh)	4.20	4.01	3.89	3.87	3.95	4.04	4.35	4.31	4.29	3.72	3.54	3.47	3.83	3.62	3.73	3.82	3.92	4.03	4.26	4.31	4.11	3.64	3.38	3.41
Low Error Band (£/MWh)	3.34	3.26	3.00	2.85	2.94	3.03	3.33	3.06	2.80	2.27	1.85	1.56	1.89	1.57	1.75	1.85	1.96	2.07	2.29	2.35	2.15	1.68	1.42	1.44

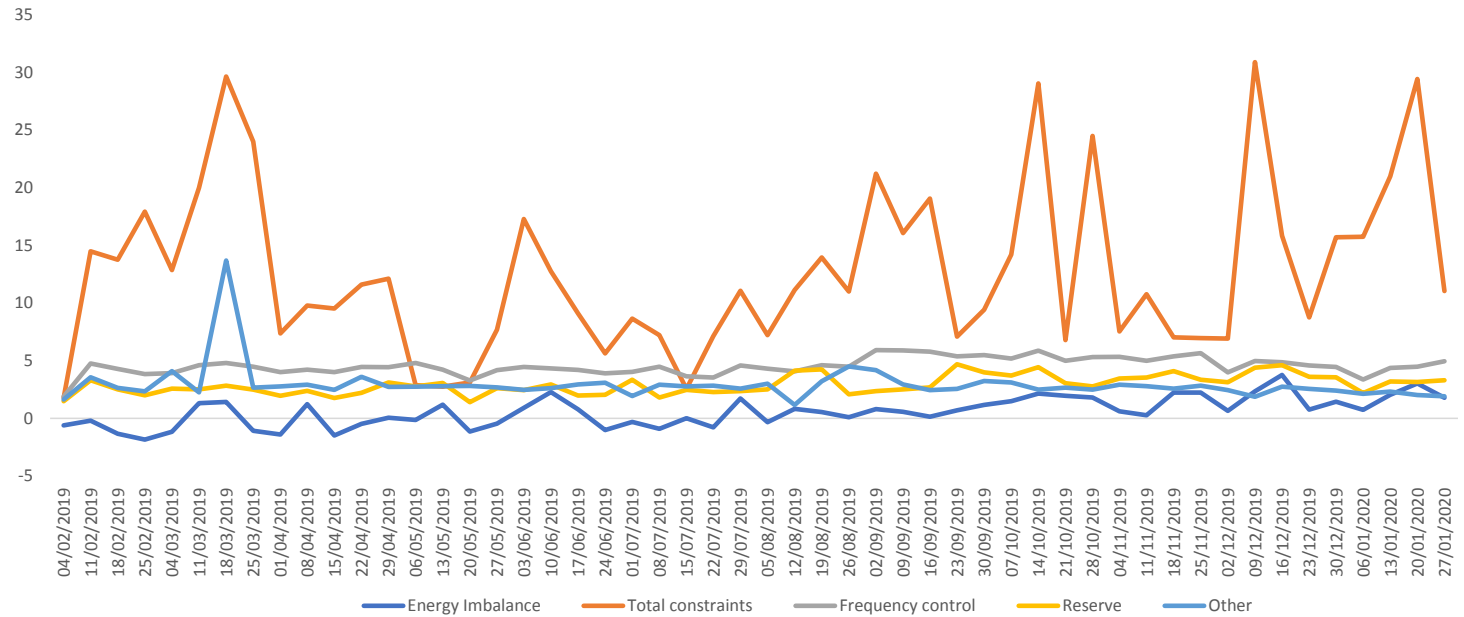
BSUoS Volatility and Forecast Accuracy

The first chart shows the volatility of the cost categories that make up BSUoS. Constraint costs shown in red are the most variable and difficult to predict, mainly driven by the output of wind generation combined with the transmission outage plan at the time. A fault on the transmission system can add to the underlying volatility and cause large unforeseen increases in constraint costs. Reserve, shown in yellow, is generally stable but can have large deviations when the cost of generator margin increases significantly when generation is short. Predicting increases in the cost of reserve is difficult at long timescales, and can have a significant impact on the average BSUoS charge. Energy Imbalance is the other category that contributes to BSUoS volatility, which is the cost of residual balancing when the energy market is long or short. The other cost categories are relatively stable across the year, although there may be longer term trends that we consider.

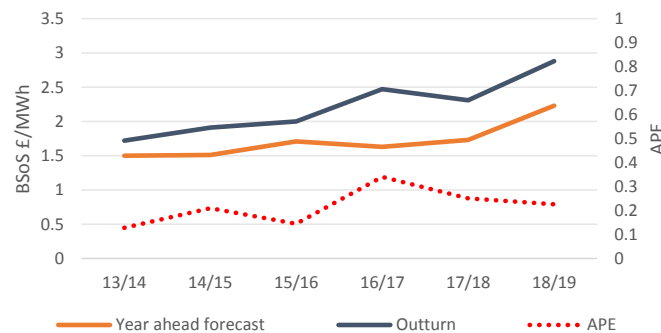
The second chart shows the annual outturn BSUoS charge compared with the forecast made at 12 months ahead, and the absolute percentage error for each year.

The third chart shows the month ahead forecast compared with outturn and absolute percentage error. Month ahead is the month ahead of the reporting month.

Cost volatility by category over past 12 months



Yearly History and APE



Month ahead forecast vs actual and APE

