

# CMP361/362 Workgroup Meeting 2

# Scope of CMP361 (BSUoS Reform: Introduction of an ex-ante fixed BSUoS tariff )

## Scope:

Interaction with CMP308 (discussed in first WG meeting)

- CMP308 solution to feed into CMP361 to allow creation of holistic BSUoS Reform solution

Timescales and Process (discussed in first WG meeting)

- Tariff published in January, fixed for April to March, summer and winter price

Setting Fixed Price BSUoS Tariff (discussed in first WG meeting)

- Tariff created from BSUoS cost inputs and final demand forecast

Applying Fixed Price BSUoS Tariff to Charging Base (discussed in first WG meeting)

- BSUoS liability to be calculated based on final demand and fixed tariff as above

ESO Working Capital and Capped Liability (initial analysis to be shared today)

- Capped ESO liability and recommendation for additional working capital to be provided

Process for Exceptional Circumstances (to be discussed after previous point)

- Steps that can be taken in unlikely event that working capital breached

## Note:

Not all elements described in CMP361 proposal are expected to be included into CUSC legal text solution (some may be addressed via the licence). Description to provide overview on all elements required to enable fixed BSUoS tariff



# Scope of CMP362 (Consequential Definition Updates required to support BSUoS Reform)

**Mod Overview:** Alongside CUSC modification to introduce fixed BSUoS tariff, consequential definition updates in CUSC section 11 will be required for BSUoS Reform

**Scope:** add and amend required definitions needed to introduce fixed BSUoS (and BSUoS payable by final demand only) into CUSC section 11

CMP362 to run alongside CMP361

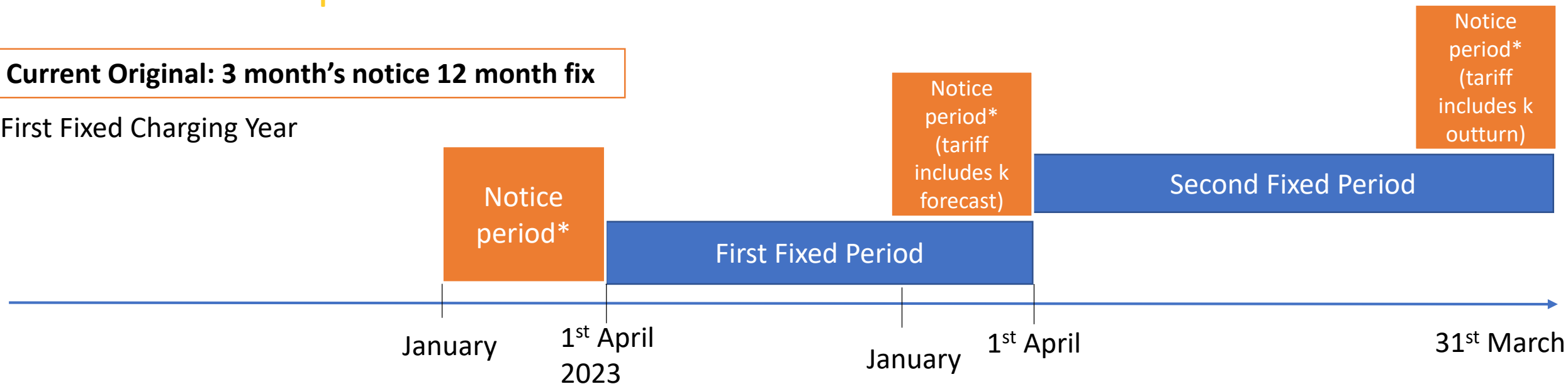
Solution: to be developed through CMP361, likely that some definition updates driven by CMP308

# Solution options

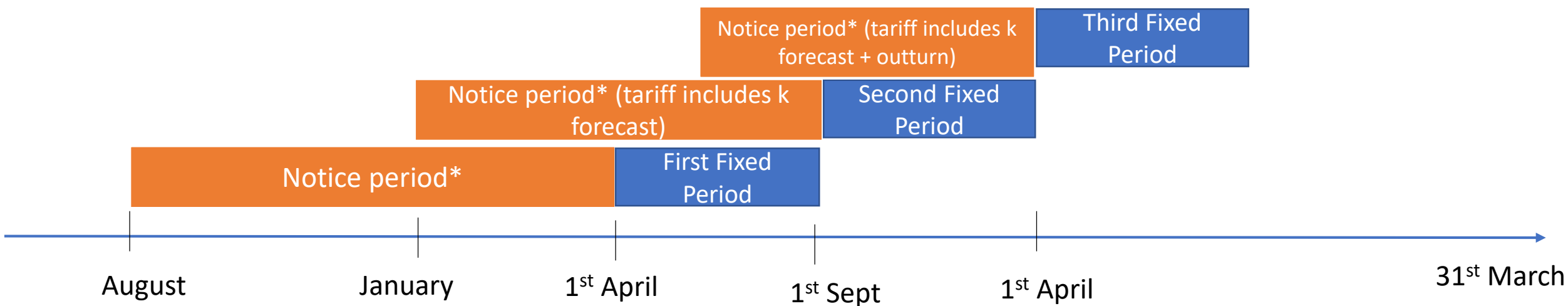
\* Tariff published at the start of notice period

## Current Original: 3 month's notice 12 month fix

First Fixed Charging Year



## Alternative: 8 month's notice 6 month fix



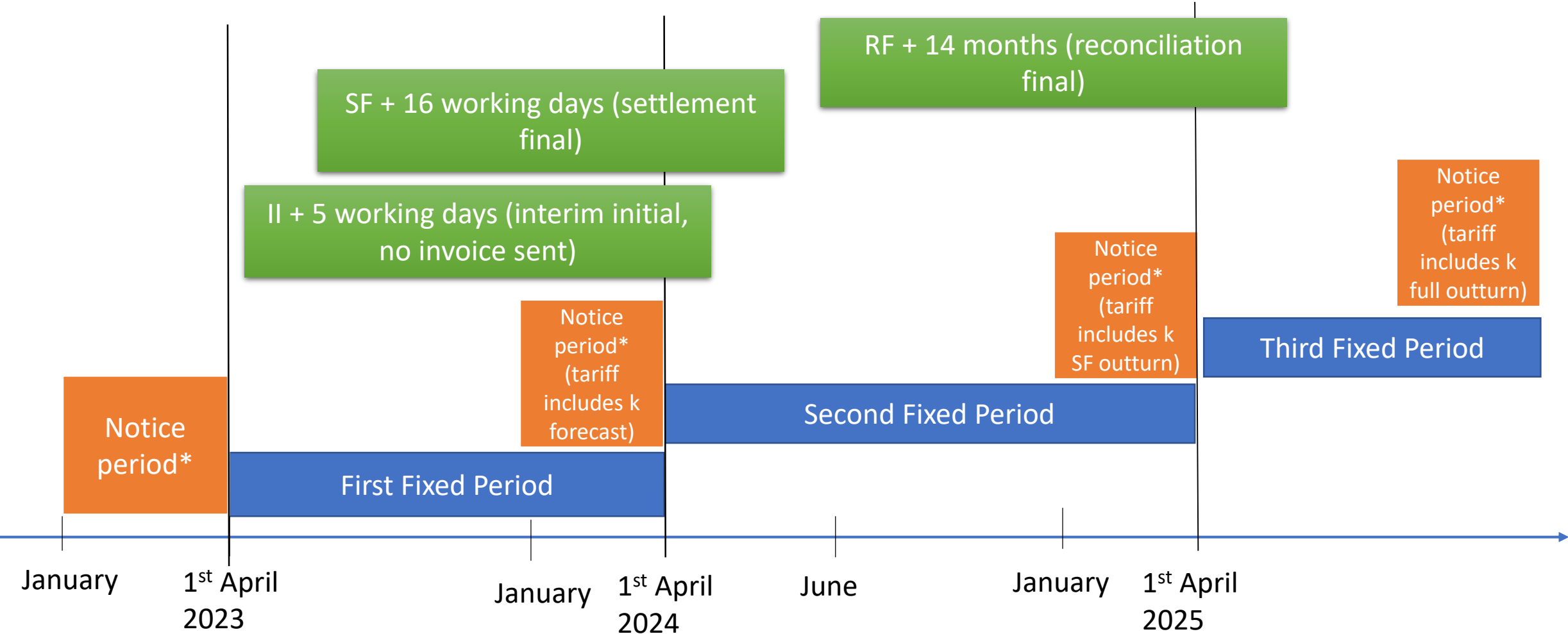
\* Tariff published at the start of notice period

# Solution options including settlement

**Current Original: 3 month's notice 12 month fix**

Reconciliation for First Fixed Period complete after Fourth Fixed Period (March 2027)

Settlement Runs for first fixed period

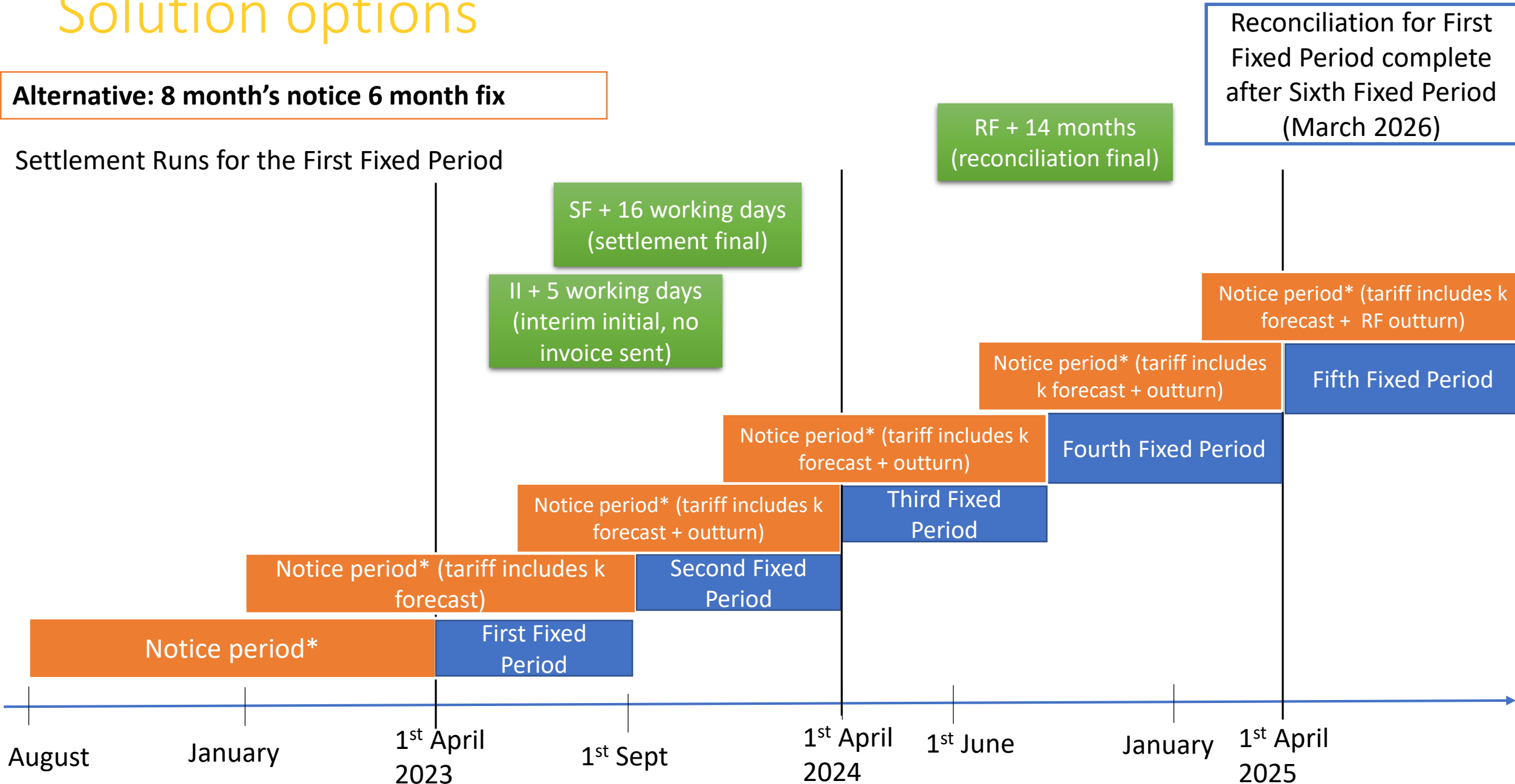


# Solution options

## Alternative: 8 month's notice 6 month fix

Settlement Runs for the First Fixed Period

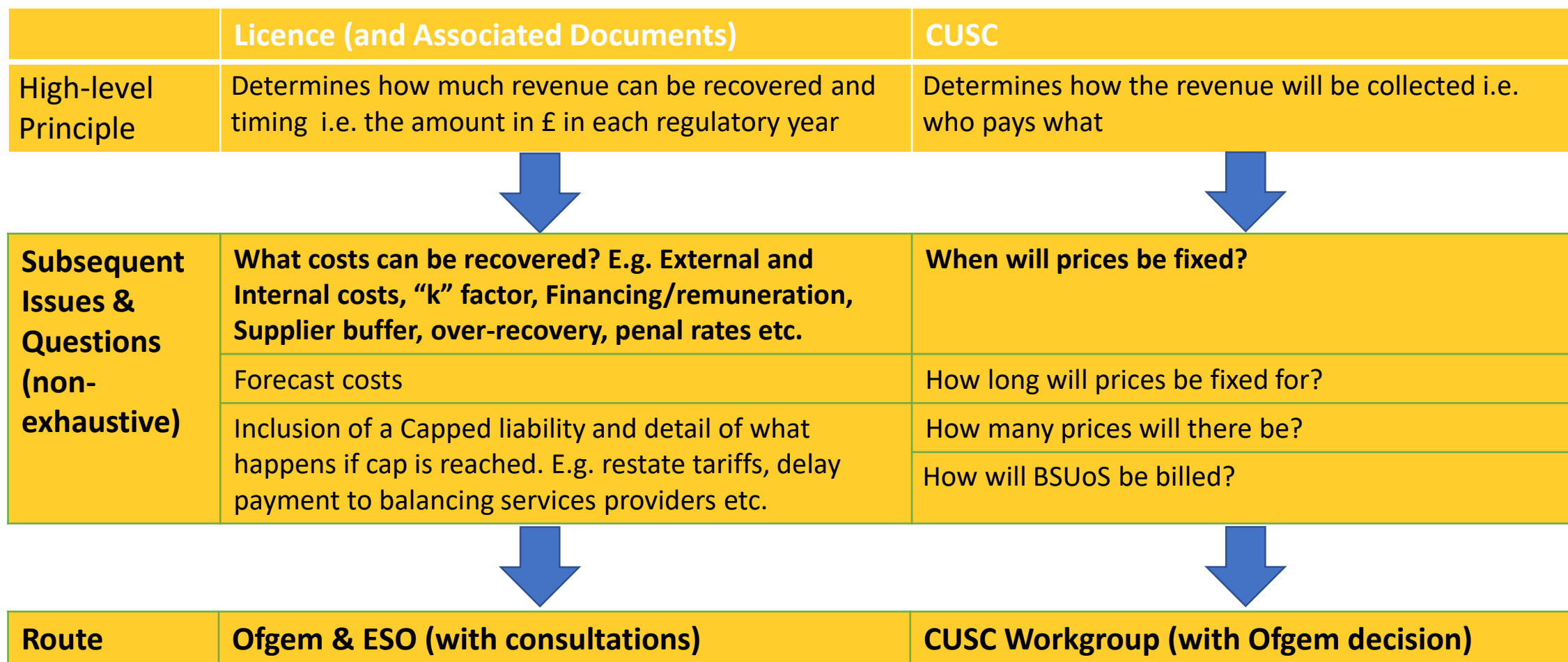
\* Tariff published at the start of notice period



# Terms of Reference

First WG meeting	Second WG meeting	Third WG (and maybe Fourth) meeting	
Consider EBGL implications	Consider how the ESO creates visibility and transparency of its BSUoS forecasting processes	Consideration of other market mechanisms that allow financing of asset light organisations	Consider the mechanisms and effects of a situation where the ESO's Working Capital is in danger of being exceeded. Consider effects on:  BSUoS payers; and  Parties with Balancing Services Contracts.  Consider impact of re-openers on stakeholders
Consider conclusions of 2 <sup>nd</sup> BSUoS Taskforce on "Deliverable 2 – how BSUoS charges should be levied" and Ofgem's response letter of 10 December 2020 re: Deliverable 2	Consideration of ESO Financability	Consider impact on consumers	
Consideration of any points of learning from the CMP250 Workgroup and Ofgem's CMP250 decision	Consideration of ongoing System Operator review	Consider what (if any) ringfencing arrangements may be required	
	Consider what will be covered in CUSC and what will be covered in Licence	Consider how any non-payments by those liable for BSUoS will be addressed	
		Consider interactions with the Consumer Price Cap	

# Determination of Licence vs. CUSC





# Business Rules

## Principles (CUSC Section 14.29 Section 2)

- The Transmission licence allows the ESO to recover revenue in respect of BSUoS charges. Explanation of methodology below
- The Balancing Services Activity is defined in the Transmission Licence
- The ESO keeps the electricity system in balance (energy balancing). Users pay for the cost through the BSUoS charge.
- (CMP308) All CUSC Parties acting as Generators (unless excluded via CUSC) and Suppliers are liable for BSUoS charges based on their Final Demand Energy taken from the National Grid System
- Summary of the types of costs included in the BSUoS charge (cost of the BM, cost of Balancing Services Contracts, internal costs, payment/ receipts from incentive scheme)

# Business Rules continued

## 14.30 Calculation of the Daily BSUoS Charge

**BSUoS is payable by Final Demand only (SGQM & TQM) clarified through CMP308**

**The BSUoS charge payable by customer c, on Settlement Day d, will be:**

*Final Demand gross volume (for all BM units the customer is the lead party for) \* applicable Fixed Tariff*

**The BSUoS tariff for the fixed period will be:**

*Forecast of BSUoS total cost (including k and cost of WCF) / Final Demand volume forecast*

Requirement to define fixed period in calculation

For info: current calculation (needs to be updated)

$$\text{BSUoS tariff}_j = \frac{\text{BSUoS TOT}_j}{\text{TQM}_j + \text{SGQM}_j}$$

# Business Rules continued

Discussion: do the below processes require review or can they be updated with minimal change?

- **Summary of Final Demand Exclusions (Interconnectors, Sites that have valid Declaration)**
  - **Initial view: out of scope, addressed through CMP308**
- **Summary of internal and external BSUoS cost components (as defined through the licence)**
  - **Initial view: minimal change required update cost components to refer to forecast of cost components**
- **Settlement of BSUoS (settlement runs, reconciliation, disputes)**
  - **Initial view: no change required at this moment**

Are there any further business rules we wish to discuss today (or in future WG meetings)?