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Draft BSUoS Fixed Tariff Webinar

23rd November 2022

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- We will be recording the session – to be shared on ESO website for those not able to attend***
- Please use teams chat to ask any questions & we will have time at the end to run through them***
- If you want to ask a question verbally during the Q&A session please raise your hand to be unmuted***

BSUoS Fixed Tariff Recap

ESO

Draft BSUoS Fixed Tariff for 2023-24
11th October 2022

Introduction

Under the existing Balancing Services Use of System (BSUoS) methodology, the daily costs of operating the system are recovered through the BSUoS charge on an ex-post basis. The costs that need to be recovered each day determine what the half hourly tariff is for the BSUoS charge.

The tariff (also called BSUoS price) changes each settlement period and is a function of the cost that needs to be recovered in each settlement period being divided by the chargeable volume. The costs of balancing the system are volatile and difficult to predict and this makes the BSUoS charge also difficult to predict.

CMP361 seeks to introduce an ex-ante fixed volumetric BSUoS tariff set over a total fixed notice period of 15 months which is designed to deliver the recommendations of the Second BSUoS Task Force. The decision on whether to implement CMP361 currently sits with Ofgem and they published a [minded to document on the 21st September 2022](#).

The "minded to position" from Ofgem suggested WACM5 (Workgroup Alternative CUSC Modification) as the most likely to be implemented. WACM5 fixes BSUoS for 12 months with 3 months' notice and defined that a BSUoS fund at the P99 level be built up over 5 years.

Since CMP361 was first raised we have been preparing to implement a fixed tariff and this draft tariff is part of that preparation. We have been developing a model for forecasting balancing costs and ran two webinars to seek feedback on the model.

CMP308 which has already been approved for implementation on the 1st of April 2023 removes the burden of BSUoS charges from generation and levies the charge on final demand energy volumes only.

1. BSUoS Fixed Tariff Overview

Below are the numbers for the key components that make up the BSUoS draft tariff for the 2023/24 charging year which determines a main tariff of **£17.22 per MWh** and a fund tariff of **£1.52 per MWh**.

If Ofgem gave approval for WACM5 of CMP361 these rates would be chargeable from the first settlement period of the 1st April 2023 until the final settlement period of 31st March 2024

It is important to note at this point that this is a draft tariff. CMP361 has not been approved and the final tariff, that we intend to publish by the end of December 2022, could be very different to the numbers below with revised forecast data and potentially different parameters depending on final decision by Ofgem.

Fund Recovery Period (Yrs)	Balancing Costs (£m)	Internal Costs (£m)	CMP395 Costs (£m)	Main Tariff Cost (£m)	Fund Tariff Cost (£m)	Volume Forecast (TWh)	Main Tariff (£/MWh)	Fund Tariff (£/MWh)
5	4,184	435.6	137.5	4,757	2,100	276.2	£17.22	£1.52

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Document or Webpage	Links
CMP308 – BSUoS charged on final demand only from 2023/24	Web link
BSUoS Fixed Tariff Model Methodology	Download
BSUoS Fixed Tariff Model Q&A	Download
BSUoS Fixed Tariff Model Consultation 2	Download
Non final demand declaration process running in next few weeks	Direct Emails
CMP361/362 – Ofgem minded-to 21/09/2022	Web link
CMP361/362 – Ofgem update on minded-to 15/11/2022	Web link
Consultation closes 30th November	
Draft BSUoS Fixed Tariff Published 31/10/2022	Download
CMP406/407 – Raised at urgent panel today	Web link
Draft Tariff Webinar Today	

Updated Tariff Values

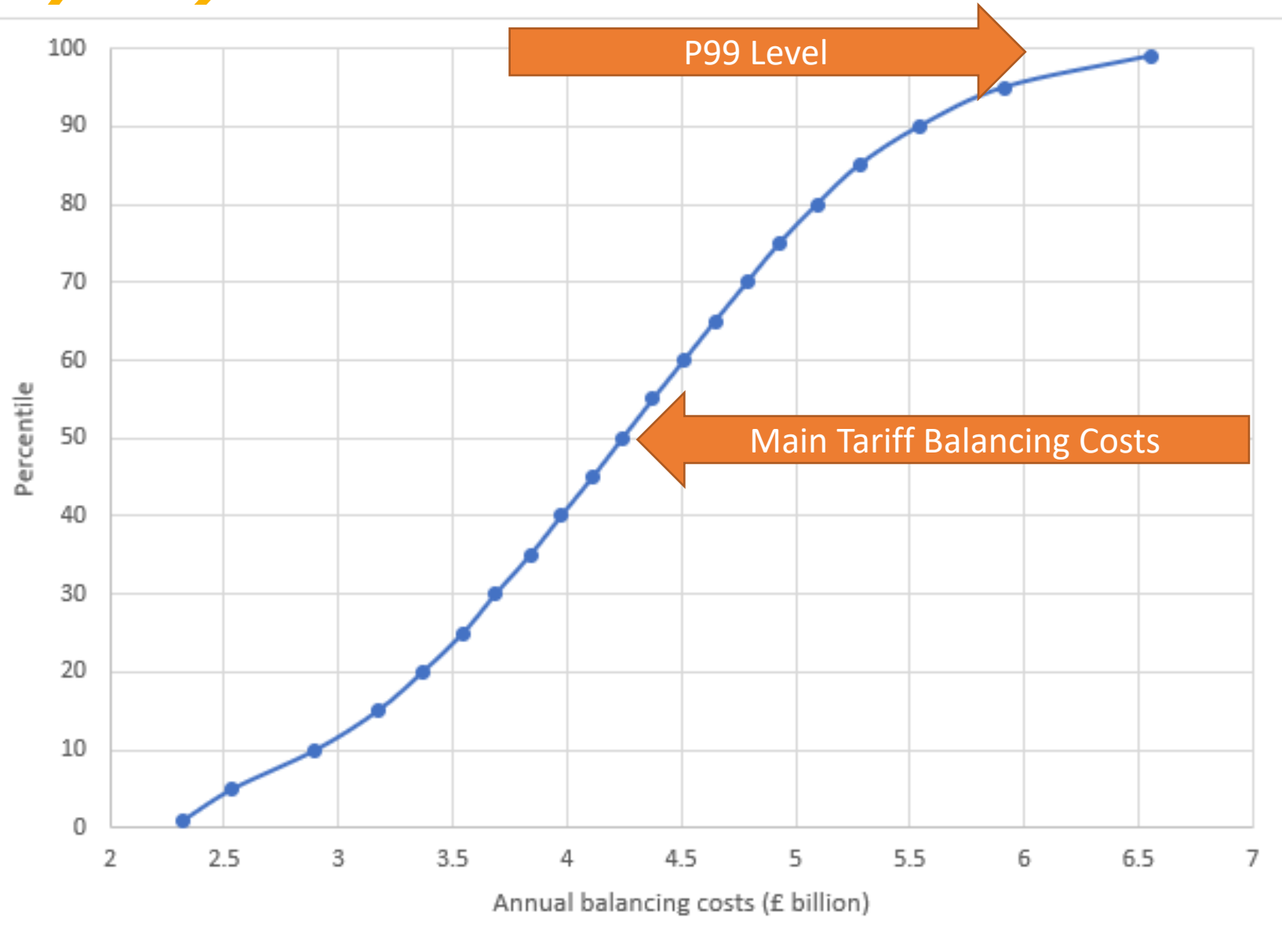
Based on Forecast Published on 17th October 2022

Fund Recovery Period (Yrs)	Balancing Costs (£m)	Internal Costs (£m)	CMP395 Costs (£m)	Main Tariff Recovery (£m)	Fund Tariff Recovery (£m)	Volume Forecast (Twh)	Main Tariff (£/Mwh)	P Level (%)	Fund Tariff (£/Mwh)	Combined Tariff (£/Mwh)
5	4,184	435.6	137.5	4,757	2,100	276.2	£17.22	99	£1.52	£18.74

Based on Forecast Published on 15th November 2022

Fund Recovery Period (Yrs)	Balancing Costs (£m)	Internal Costs (£m)	Main Tariff Recovery (£m)	Fund Tariff Recovery (£m)	Volume Forecast (Twh)	Main Tariff (£/Mwh)	P Level (%)	Fund Tariff (£/Mwh)	Combined Tariff (£/Mwh)
5	4,244	435.6	4,680	2,011	276.2	£16.94	99	£1.46	£18.40

Percentile	Billions
0.01	2.32
0.05	2.54
0.1	2.90
0.15	3.17
0.2	3.37
0.25	3.55
0.3	3.69
0.35	3.84
0.4	3.97
0.45	4.11
0.5	4.24
0.55	4.38
0.6	4.51
0.65	4.65
0.7	4.79
0.75	4.93
0.8	5.10
0.85	5.28
0.9	5.55
0.95	5.92
0.99	6.56



Tariff numbers at Different P levels

Based on Forecast Published on 15th November 2022

Tariff Variants	Fund Recovery Period (Yrs)	Balancing Costs (£m)	Internal Costs (£m)	Main Tariff Recovery (£m)	Fund Tariff Recovery (£m)	Volume Forecast (Twh)	Main Tariff (£/Mwh)	P Level (%)	Fund Tariff (£/Mwh)	Combined Tariff (£/Mwh)
Variant A	2	4,244	435.6	4,680	2,011	276.2	£16.94	99	£3.64	£20.58
Variant B	5	4,244	435.6	4,680	2,011	276.2	£16.94	99	£1.46	£18.40
Variant C	2	4,244	435.6	4,680	1,374	276.2	£16.94	95	£2.49	£19.43
Variant D	5	4,244	435.6	4,680	1,374	276.2	£16.94	95	£0.99	£17.94
Variant E	2	4,244	435.6	4,680	1,002	276.2	£16.94	90	£1.81	£18.76
Variant F	5	4,244	435.6	4,680	1,002	276.2	£16.94	90	£0.73	£17.67
Variant G	2	4,244	435.6	4,680	736	276.2	£16.94	85	£1.33	£18.28
Variant H	5	4,244	435.6	4,680	736	276.2	£16.94	85	£0.53	£17.48
Variant I	2	4,244	435.6	4,680	552	276.2	£16.94	80	£1.00	£17.94
Variant J	5	4,244	435.6	4,680	552	276.2	£16.94	80	£0.40	£17.34
Variant K	2	4,244	435.6	4,680	386	276.2	£16.94	75	£0.70	£17.64
Variant L	5	4,244	435.6	4,680	386	276.2	£16.94	75	£0.28	£17.22
Variant M	2	4,244	435.6	4,680	246	276.2	£16.94	70	£0.45	£17.39
Variant N	5	4,244	435.6	4,680	246	276.2	£16.94	70	£0.18	£17.12

What's the same

- Invoiced daily on SF and RF settlement data
- Information provided daily on II settlement data
- 3 day payment terms for invoices
- Chargeable on volume at the BMU level at a price per MWh
- Aggregated at BSC party level for invoicing
- We will continue to provide web prices
- BPA report will see minimum changes, still delivered via SFTP
- Payment calendar will continue to drive billing run timings

What's different

- The price/tariff will be fixed rather than changing every settlement period
- Additional to the main tariff there will likely be a fund tariff
- BSUoS charges will be levied on final demand only
- There will be no change of cost at the RF stage, volume only adjustment
- BCR will be a new report
- We will report regularly on the variance between the recovery and the actual balancing spend
- Tariff forecasts will be produced on a quarterly basis

Report Specifics

Invoices/Backing Sheet

Fund recovery shown as a separate line item, as will RF interest

BPA Report

Additional information being added

Web Prices

Additional columns for main tariff, fund tariff and volume being added

BCR Report

Currently produced by the system but wont be in future

Monthly Forecast

Intent is to carry on with monthly forecast whilst adding

Monthly Outrun

Intent is to carry on unless merged into revised monthly forecast that shows both

Daily Cost Report

Intent is to carry on producing this

Next Steps

- Ofgem response deadline 30th November 2022
- CMP406/407 Raised today
- Revised monthly forecast middle of December
- Final BSUoS Fixed Tariff by end of December or at least revised draft numbers if awaiting decision
- We are continuing to work on the forecasting model
- Working with our billing system integration team to implement a solution that will be ready for April 2023 go live
- Report specifications for our changed reports will be made available as soon as we have specified them.
- New methodology goes live 1st April 2023
- New system development and integration post go live
- Changeover from existing to new system date tbc

Q&A

- Please enter your questions in teams chat
- If you would like to ask a question verbally then please raise your hand so that you can be unmuted
- If you have any questions or feedback after this webinar please email bsuos.queries@nationalgrideso.com and put “Draft BSUoS Fixed Tariff Webinar” in the subject line of your email

Thank you for your time and input today!