



BSUoS Fixed Tariff Webinar

07th July 2023

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Supporting the webinar today + others!



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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

BSUoS Fixed Tariff
Final Tariff 3 - Apr 2024 - Sep 2024
Draft Tariff 4 - Oct 2024 – Mar 2025

Published 30th June 2023

Introduction

From 1st April 2023 BSUoS costs have been recovered under a new fixed tariff methodology as defined by CMP361. The CMP361 decision determined that the tariff should be fixed for 6 months with 9 months-notice of the tariff values being provided by the ESO. This report defines the final BSUoS tariff for the Apr 2024 to Sep 2024 period as well as providing a draft view of the Oct 2024 to Mar 2025 tariff period. We are calling these BSUoS Fixed Tariff 3 and 4 respectively.

Background

The costs of balancing the system are volatile and difficult to predict and this makes the BSUoS charge also difficult to predict.

CMP361 introduced an ex-ante fixed volumetric BSUoS tariff set over a total fixed and notice period of 15 months which was designed to deliver the recommendations of the Second BSUoS Task Force. The decision on implementing CMP361 was made by Ofgem on the 15th December 2022.

The decision from Ofgem was to implement WACM3 (Workgroup Alternative CUSC Modification) from the 1st April 2023. WACM3 fixed BSUoS for 6 months with 9 months' notice and defined that there would be no BSUoS fund to support the tariff.

Final BSUoS tariffs for Apr 2023 to Sep 2023 and Oct 2023 to Apr 2024 were published at the end of January 2023.

Webinar – 7th July

We will be running a webinar on the 7th July to discuss this final and draft tariff and answer any questions that you may have about it.

Click the button below to register for the webinar.

[Register for the BSUoS Tariff Webinar Here](#)

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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
CMP361/362 – Ofgem minded-to 21/09/2022	Web link
CMP361/362 – Ofgem update on minded-to 15/11/2022	Web link
Draft BSUoS Fixed Tariff Published 31/10/2022	Download
CMP406/407 – Raised but rejected	Web link
Draft Tariff Webinar Held 23/11/2022	Download
Ofgem Decision CMP361	Download
CMP408 Raised – Change tariff notice period to 3 months	Web Link
Final BSUoS Fixed Tariff Published 31/01/2023	Download
Final Tariff Webinar Held 07/02/2023	Download
BSUoS Fixed Tariff Published 30/06/2023	Download

Updated Tariff Values

Financial Year 2024/25 – Apr-Sep	
Description	Final Tariff
Balancing Costs (Central) £m	1,259.30
Internal Costs	236.43
Winter Security of Supply	-75.00
Over recovery from Fixed Tariff 1 (£m)	-429.23
Total BSUoS £m	991.50
Estimated BSUoS Volume TWh	129.90
BSUoS Main Tariff £/MWh	£7.63

Fixed Tariff 3
Apr - Sep

Updated Tariff Values

Financial Year 2024/25 – Oct-Mar		
	Description	Draft Tariff
Fixed Tariff 4 Oct - Mar	Balancing Costs (Central) £m	1,407.68
	Internal Costs	235.14
	Winter Security of Supply	-75.00
	Over recovery from Fixed Tariff 2 (£m)	-435.89
	Total BSUoS £m	1,131.93
	Estimated BSUoS Volume TWh	149
	BSUoS Main Tariff £/MWh	£7.60

Uncertainties for Final and Draft Tariff

Balancing Costs – Draft Tariff

- There has been significant change in the forward curve of GB wholesale electricity in the past few months, with potential for further movement before draft tariff setting (December 2023)

Internal ESO Costs - Draft Tariff

- Potential for additional funding as part of the creation of the new, independent Future System Operator (see slide 9)

Winter 24/25 Security of Supply – Draft Tariff

- ESO has received instruction to secure capacity over the past two winters, therefore should additional capacity be made additional money could be recovered from Fixed Tariff 4

Forecast Over/Under-Recovery – Final and Draft Tariff

- Final over/under-recovery to be included within Fixed Tariff 4 will be determined based on the latest available outturn date and monthly BSUoS forecast as at Final Fixed Tariff 4 setting (December 2023)
- There remains the possibility of a tariff reset should forecast recovery position fall between now and the end of Tariff Period 3

CMP408 – Final and Draft Tariff

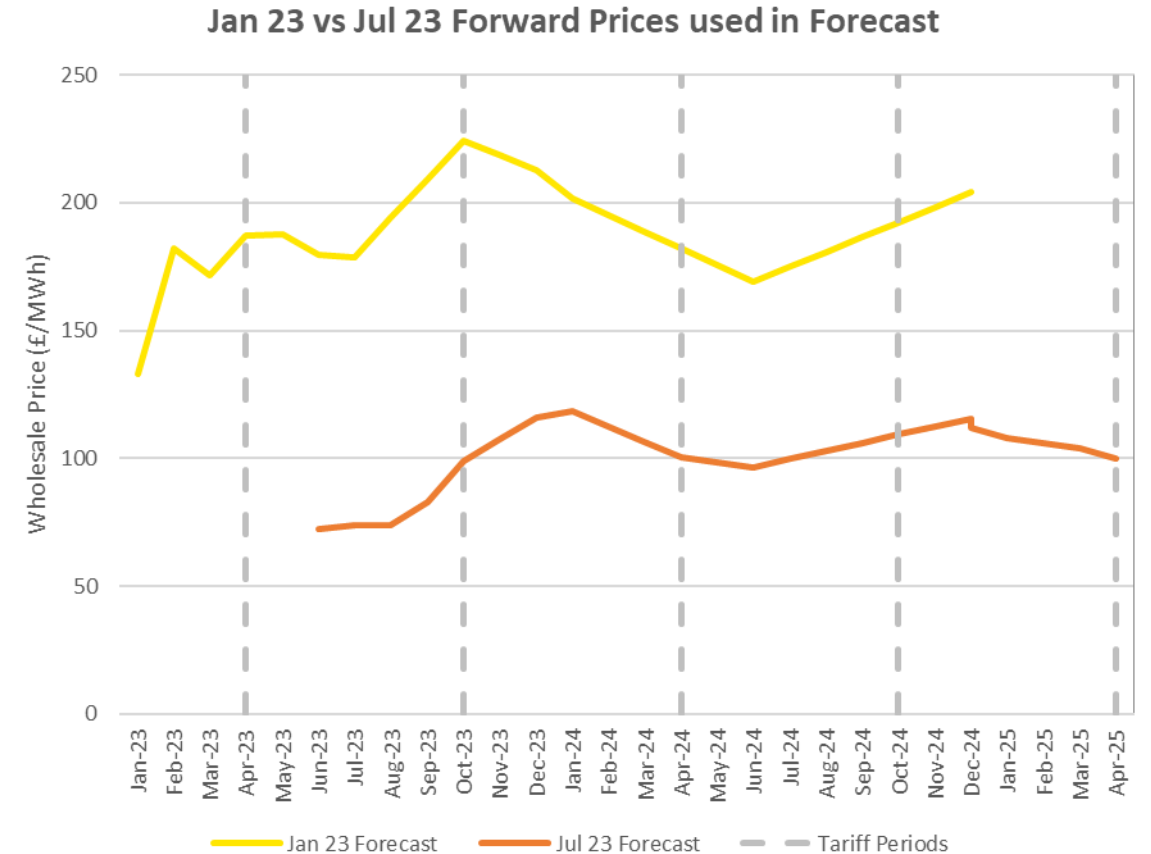
- CMP 408 looks to change the BSUoS notice period from 9 months to 3 months. If approved, the preferred option is to set a new tariff by end of December, superseding final Fixed Tariff 3

BSUoS Fund – Draft Tariff

- Per CMP361 determination, no BSUoS fund has been included within final Fixed Tariff 3, however options to be discussed within BSUoS TCMF sub-group

Balancing costs

- **Tariff balancing forecast for 2024/25 = £2,667m**
- Based on an average of forward price curve derived between 1st and 7th June 2023
- Decreases in the forward market wholesale electricity price since the last tariff setting (January 2023) has resulted in lower balancing cost forecast for 2024/25 tariffs compared to 2023/24 tariffs
- It has also resulted in a forecast over-recovery for Fixed Tariff 1 and Fixed Tariff 2 (see slides 9 & 10)
- For Fixed Tariff 4, balancing costs will be reforecast at tariff setting (December 2023)



Internal ESO Costs

- Internal costs (allowed revenue) are calculated in the Price Control Financial Model (PCFM) process as determined by the current RIIO-2 price control period.
- The costs for the 2024/25 charging year are currently based on the December 2022 PCFM.

Uncertainties for Draft Tariff 4

- Next PCFM due for publication in Winter 2023, and any change to internal costs will be included within Fixed Tariff 4
- In April 2022, Ofgem and the Department for Energy Security and Net Zero (DESNZ) jointly decided to proceed with the creation of a new, independent Future System Operator (FSO)
- The implementation of the FSO creates transition costs for the Electricity System Operator (ESO), National Grid plc (NG) and National Gas Transmission (NGT) that they would not otherwise have incurred
- Ofgem have launched a consultation regards the funding of the Future System Operator (link [here](#))

Forecast Over Recovery from Fixed Tariff 1 and Fixed Tariff 2

Outturn costs (excl. Winter Security of Supply)

- c. £210m

- Driven by reductions in wholesale market price and lower proportion of demand met by renewables

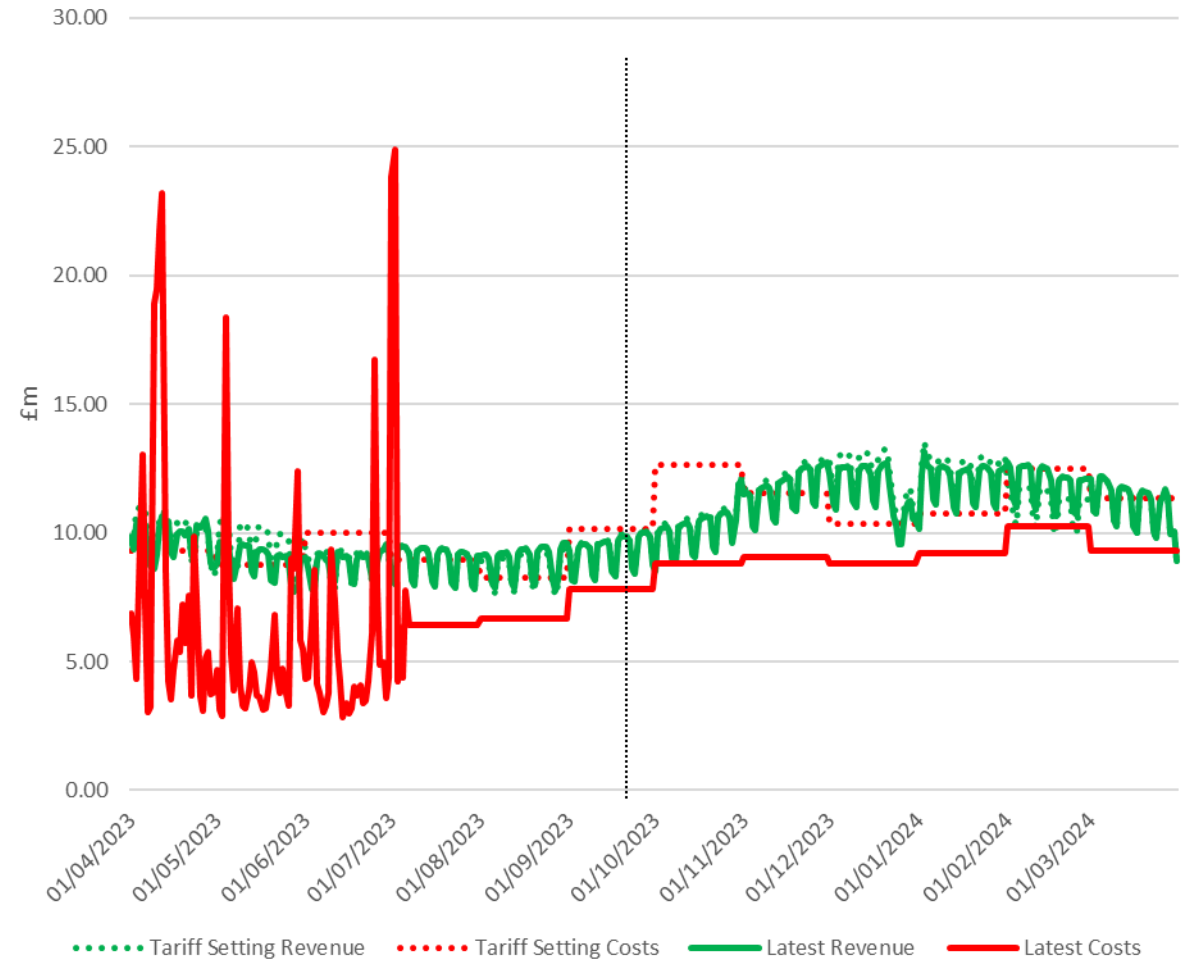
Balancing Cost Forecast- £650m

- Decrease in wholesale market prices resulted in lower balancing cost forecast for remainder of Tariff Period 1 and Tariff Period 2

Winter Security of Supply- £150m

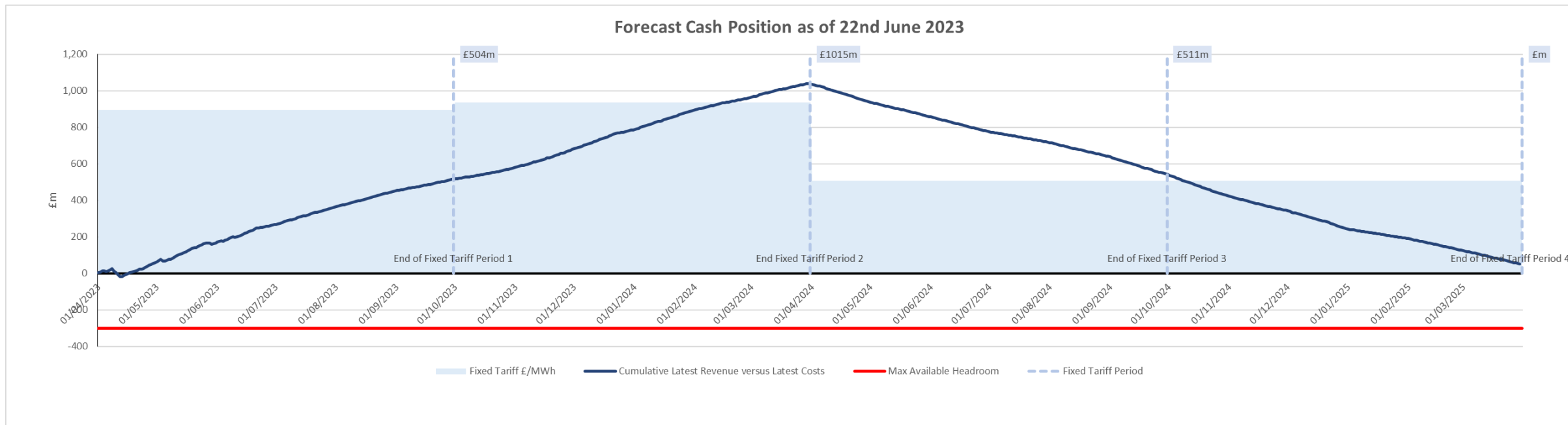
- £175m of Winter Security of Supply was included across Fixed Tariff 1 and Fixed Tariff 2
- Due to unavailability of coal units, the majority of the £175m will be unused, aside from the relatively small amount allocated to DFS

Revenue and Costs (Current & Future Fixed Periods)



Forecast Over Recovery from Fixed Tariff 1 and Fixed Tariff 2

- Forecast over-recovery position from Fixed Tariff 1 and Fixed Tariff 2 are reflected in the corresponding tariffs for Fixed Tariff 3 and Fixed Tariff 4
- Over-recovery was based on the forecast position as of 22nd June 2023
- Includes a forecast £150m over-recovery relating to Winter Security of Supply costs



Report Specifics

Invoices/Backing Sheet	Fund recovery shown as a separate line item, as will RF interest
BPA Report	Additional information added for fixed tariff
Web Prices	Additional columns for main tariff, fund tariff and volume were added
BCR Report	Currently produced by the system for old methodology (RF runs only)
Monthly Forecast	Continue to be provided for costs
Monthly Outturn	Continue to be provided for costs
Daily Cost Report	Continue to be provided for costs
Weekly Rev v Costs	**New Report** that we are publishing weekly to show Revenue v Costs

Revenue vs Cost Report

Weekly report is available on the ESO website

Shows the latest forecast over/under recovery position based on:

- Control Room Data (+1 WD)
- II Cost and Volume Data (+5 WD)
- SF Cost and Volume Data (+16 WD)
- Monthly BSuoS Forecast (15th of each month)

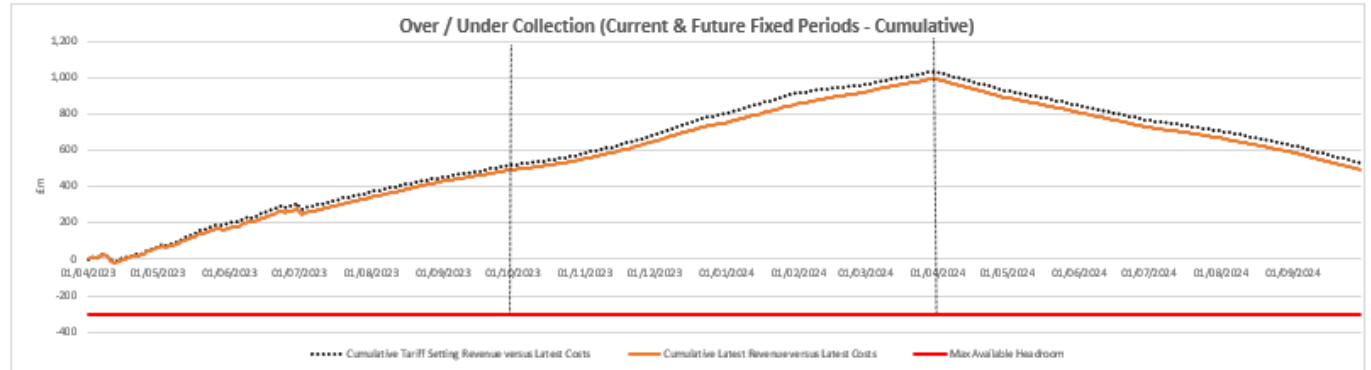
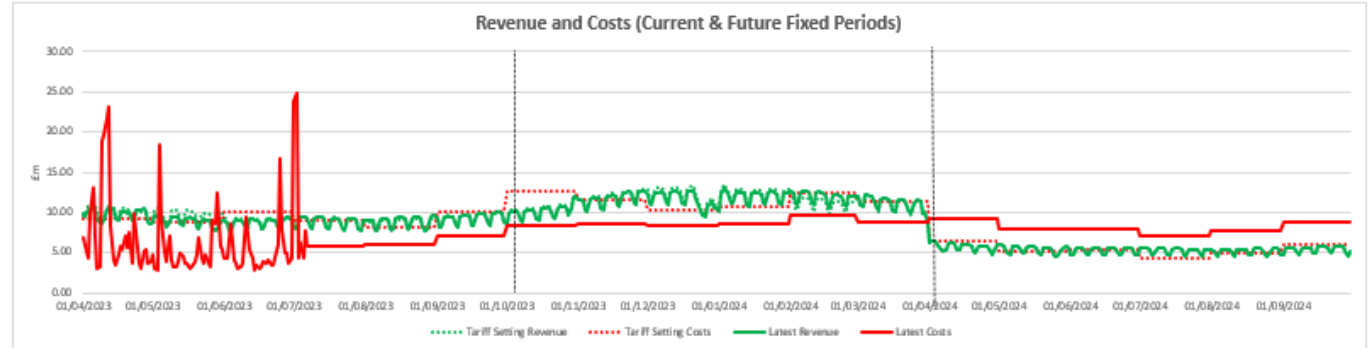
Costs at daily granularity are also available through our web prices file for II and SF Data

Illustrative Revenue vs Cost Report

Please Note: This Report contains a mixture of actual outturn costs and revenue as well as forecasts of both costs and revenue to produce a projection of what costs v revenue may be in the future. It's important to note that these are projections based on forecast information and final positions could differ significantly based on market/system conditions, weather and other factors.

Today's Date	07/07/2023
Latest Revenue in Fixed Period to date	898,191,008
Latest Costs in Fixed Period to date	632,720,872
Over / (Under) Recovery to Date	265,470,136

Last date Control Room data available	05/07/2023
Last date II data entered	28/06/2023
Last date SF data entered	13/06/2023
Latest published forecast	July 23



Data

SF Data	II Data	Control Room Data
July 23 Forecast	Tariff Setting	Calculation

Date	Balancing Mechanism	Trade	Ancillary Services	Internal Costs	Other	Total Cost	Volume	Tariff	Revenue	Over/(under) collection
01/04/2023	2,055,350	1,333,792	2,318,580	1,180,055	2,936	6,891,314	722,667	13.41	3,630,367	2,739,653
02/04/2023	793,158	1,559,060	2,449,539	1,180,055	2,936	5,984,808	639,543	13.41	3,380,866	3,336,058
03/04/2023	364,340	187,710	1,995,539	1,180,055	2,936	4,331,180	772,348	13.41	10,365,238	6,034,058
04/04/2023	5,276,868	1,223,742	2,025,230	1,180,055	2,936	3,708,831	769,818	13.41	10,323,264	6,14,433
05/04/2023	7,649,041	2,415,740	1,810,235	1,180,055	2,936	13,058,007	791,907	13.41	10,618,127	-2,433,880
06/04/2023	3,313,698	726,376	1,864,227	1,180,055	2,936	7,087,891	761,348	13.41	10,217,716	3,129,825
07/04/2023	1,055,344	276,056	1,835,291	1,180,055	2,936	3,099,694	635,248	13.41	8,069,434	5,045,825

Next Steps

- Webinar recording and Q&A published next week
- Ongoing monitoring of current recovery v costs – see our weekly report
- Monitoring published future tariffs v revised forecasts
- Final Tariff for Oct 2024 to Mar 2025 by end of December 2023
- CMP408 raised to change tariff notification period to 3 months
- Ongoing Forecast Model Development
- We are currently reviewing the monthly forecasting process/report
- New system development and integration post go live
- Changeover from existing to new system date tbc

Ongoing Forecast Model Development

Machine Learning

- We are working with the Hartree Centre to investigate whether state-of-the-art machine learning techniques could be employed to improve our forecast of balancing costs.
- See the ENA portal for more information:
https://smarter.energynetworks.org/projects/nia2_ngeso022/



Wholesale Prices

- Wholesale electricity price is a key input to our model. We continue to investigate the best way to represent the forward curve of these prices in our model.

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 “BSUoS Fixed Tariff Webinar” in the subject line of your email

Thank you for your time and input today!



Thank you!