ESO September BSUoS Forecast Explained

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We produce monthly BSUoS forecasts which detail forecast costs over the coming year. This slide provides an explanation of the forecast in September and the underlying assumptions used.

September Forecast for 2021/22

The average charge is based on dividing total costs by total volumes over the period.

Average BSUoS charge for 2021/22 =

$$\frac{£2441.9m \text{ (Total Costs)}}{511.9\text{TWh (Total Volume)}}$$

$$= £4.77/\text{MWh}$$

Deferred BSUoS Costs

The deferred BSUoS costs relating to CMP345/350 are included in 21/22 forecasts when the deferred costs will be re-charged.

BSUoS Cost Recovery

The under-recovered BSUoS costs are included in 21/22 forecasts following the approval of CMP373.

Explanation & Insight

The outturn BSUoS for August was significantly higher than July. Balancing costs rose across all categories as a result of higher prices in the balancing mechanism and the OTC market driven by tight margins in GB and across Europe. The total BSUoS volume was slightly lower than July.

ESO Incentive has been removed from the forecast as a separate cost and is now included in the ESO internal costs as part of the Price Control Financial Model. The ALoMCP costs have been revised and following the approval of CMP373 the under-recovered costs have been profiled in the forecast, further details can be found here:

https://www.nationalgrideso.com/document/192426/download/

In March for the FY21/22 forecast we re-costed the outage plan and adjusted the constraint costs accordingly. When producing a forecast of constraint costs, we apply a historical wind profile for each month. Variations in the constraint costs month on month will therefore be driven by the reduction in constraint limits due to outages in addition to the wind level applied. As such these are indicative of where costs may outturn but variations are expected due to outturn wind not following a particular historical profile exactly.

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