

# Potential Seasonal issues with a BSUoS Fixed Tariff



# BSUoS Fixed Tariff Recap

ESO

**BSUoS Fixed Tariff 2023-24 Final**  
31<sup>st</sup> January 2023

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

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

Since CMP361 was first raised we have been preparing to implement a fixed tariff and the publication of this final tariff is the latest step in that process. We have been developing a model for forecasting balancing costs and ran two webinars to seek feedback on the model and ran a further webinar after publishing the BSUoS draft tariff in November 2023.

We will be running a webinar on the 7<sup>th</sup> February to discuss this final tariff and answer any questions that you may have about it.

Click the button below to register for the webinar.

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

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

**1. BSUoS Fixed Tariffs Overview/Calculation**

The forecasting model we have developed is used to determine balancing costs for the fixed tariff period ahead. The central forecast number determines the cost that goes into the tariff.

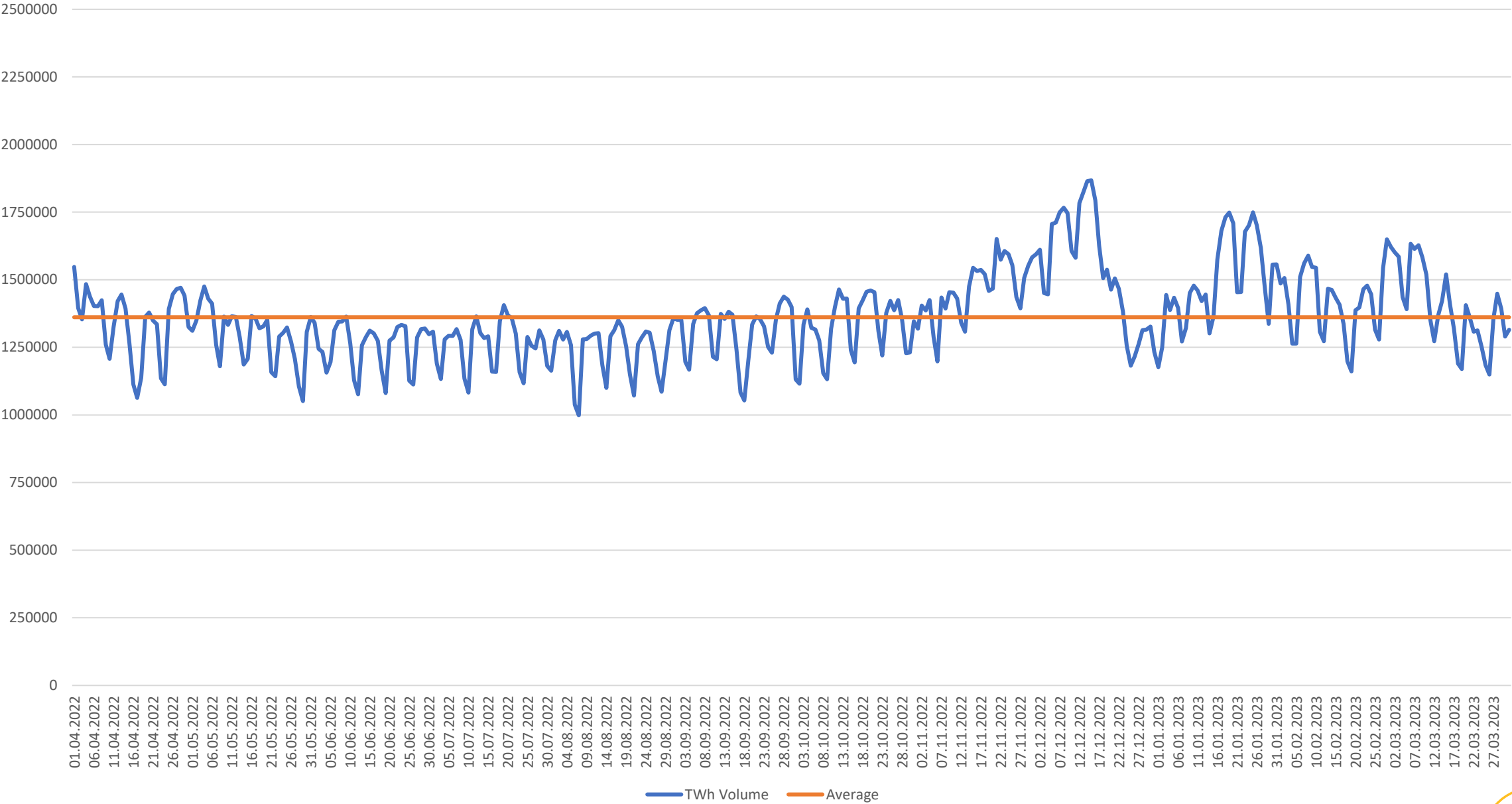
Before a tariff can be calculated, there are other non-balancing costs that need to be included. These are provided as a single central forecast only. The additional costs can be subject to change but sit outside of the capabilities of the current model, external influences affect them rather than parameters within the model.

Step	Link/Date
Final BSUoS Fixed Tariffs Published 31/01/2023	<a href="#">Download</a>
CMP408 Change tariff notice period to 3 months	16/03/2023
TCMF Sub group looking at fund + wider remit	22/03/2023
Ofgem Fixed Tariff Reset meetings (more to come)	27/03/2023
CAB change implementation	31/03/2023
Moved Forecast/Outturn Reports to Revenue team	01/04/2023
Fixed Tariff II – First Run	12/04/2023
Fixed Tariff SF – First Run	27/04/2023
Industry Webinar to discuss reporting/tariff reset methods	05/04/2023
Fixed Tariff Revenue v Costs Report Published	24/05/2023
Running of model moved to Revenue Team	05/06/2023
Fixed Tariff 3 Set – Apr 2024 to Sep 2024	30/06/2023
Industry Webinar after Tariff 3 publication	TBC

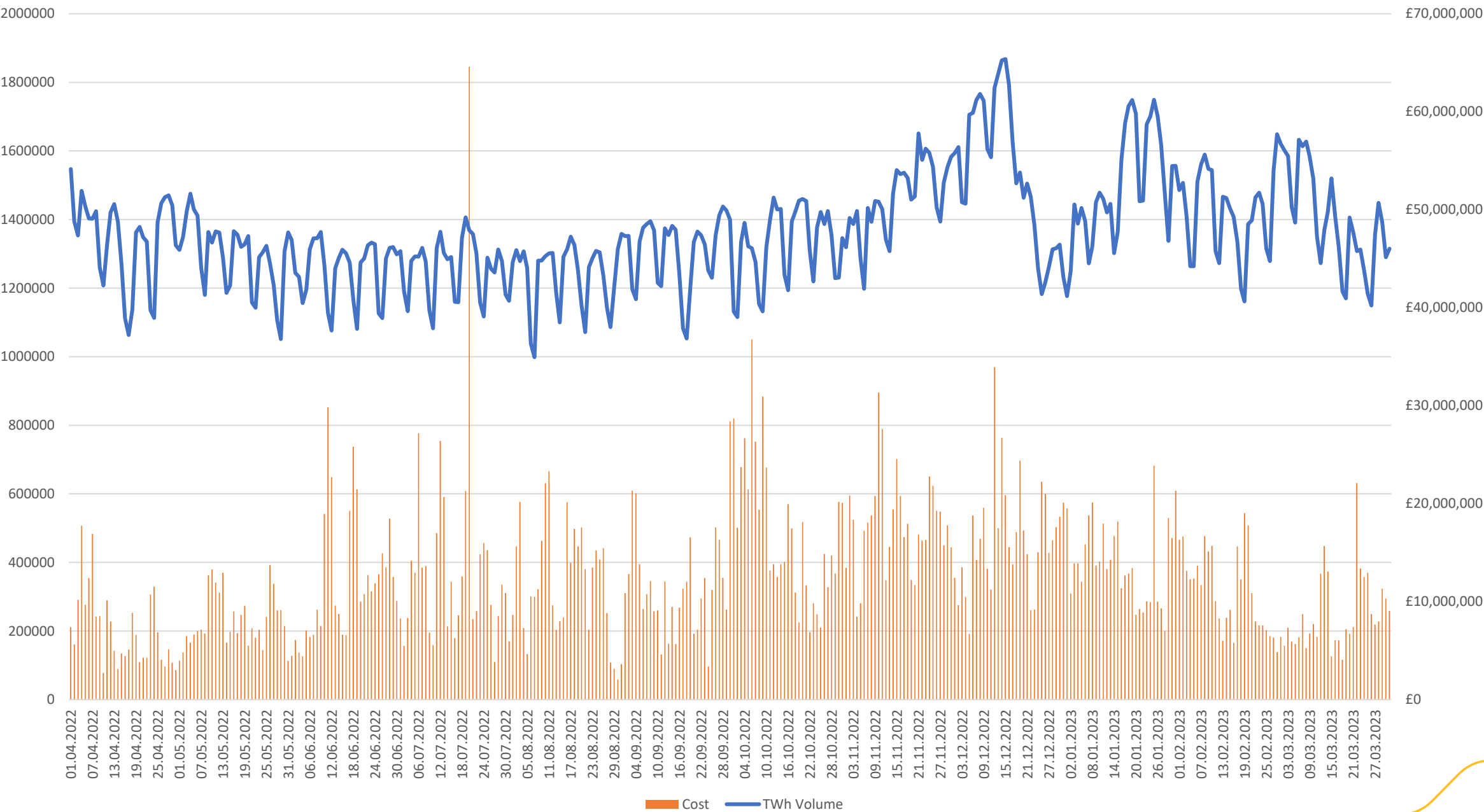
## Outline of the issue

- A fixed BSUoS charge applied on a £/MWh basis means the value of BSUoS recovered across a financial year by the ESO is directly related to BSUoS volume. However, the BSUoS costs incurred are not related to this and can be relatively flat across a year
- With a single fixed £/MWh charge, for some years (and under some forecast scenarios) this may result in the ESO significantly under-recovering during the summer months with this shortfall recovered over winter
- Given the higher than expected BSUoS costs in 2022/23, there is a risk that the ESO's working capital fund is depleted, requiring a mid year tariff change to maintain market cashflows.
- A proactive solution to prevent this happening could be a summer tariff (1 April – 30 September) and a winter tariff (1 October – 30 March). Both tariffs would be set at the same time to maintain a 12 month period of certainty with the requisite notice period also being observed.
- We would ensure any solution is 'cash neutral' across the whole financial year (i.e. it shouldn't cost the industry more or less)
- These changes would help support the ESO's working capital and thus market mechanisms.

BSUoS Daily Volume v Average - 2022-23



BSUoS Volume plotted Against Cost – 2022-23



Forecast Costs and Volumes for 2024-25													Costs and Volumes Totals			Single Tariff Recovery		Split Tariff Recovery	
	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Full Year	Apr-Sep	Oct-Mar	Apr-Sep	Oct-Mar	Apr-Sep	Oct-Mar
Total Forecast BSUoS Costs	299.4	272	258.7	275.7	289.1	305.2	337.2	307	339.2	279.7	278.8	291.5	3533.5	1700.1	1833.4	12.62	12.62	13.25	12.09
Total Forecast Volume	22.6	21.8	20.7	20.9	20.9	21.4	23.1	25.6	26.5	27	24.5	24.9	279.9	128.3	151.6	1619.7	1913.8	1700.1	1833.4

