

# Code Administrator Meeting Summary

## Meeting name: CMP420: Treatment of BSUoS Revenue Recovery and creation of a BSUoS Fund Workgroup Meeting 2

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Date: 11/12/2023

### Contact Details

Chair: Jonathan Whitaker, National Grid ESO [jonathan.whitaker@nationalgrideso.com](mailto:jonathan.whitaker@nationalgrideso.com)

Proposer: Damian Clough, SSE [Damian.Clough@sse.com](mailto:Damian.Clough@sse.com)

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## Key areas of discussion

The aim of Workgroup 2 was to review terms of reference and discuss the Proposer's defined solution.

### Timeline

The Chair shared the timeline and queried whether the Workgroup were happy with the updated consultation date to run after the Christmas period (12 January 2024 – 02 February 2024) with an additional Workgroup 3.

A Workgroup member queried whether the approval date will be affected if the return of interest is expected by 2025. A Workgroup member responded that an estimate into the tariff would be calculated by June next year with a correct figure by the end of 2024 and so updating the CUSC by June next year would be advantageous.

The Workgroup had no further comments on the timeline.

### Terms of Reference

The Chair shared the Terms of Reference with the Workgroup and queried whether the Workgroup were happy with them. A Workgroup member queried whether point 3 was relevant given that the defined solution was no longer exploring the BSUoS Fund further. The Proposer responded that as this was included in the original proposal it should remain and be reflected in the Workgroup Report that point 3 was addressed and the Proposer decided not to pursue it.

Whilst discussing terms of reference, the Authority shared that they had discussed with their revenue team that interest is already dealt with within the licence and that their review is the same as the ESO's point.

The Proposer then queried whether from a legal perspective the licence takes precedence over the CUSC i.e. as the CUSC does not show that interest is applied and the licence does, is a decision needed. The Workgroup discussed that as this is dealt with within the licence, this should be reflected in the CUSC.

### **Actions Logs**

The Workgroup reviewed the actions log and agreed the following:

- Action Log 1 – closed as the timeline has been amended and agreed by the Workgroup;
- Action Log 2 – closed as Workgroup considered the terms of reference and the Chair will present the revised terms of reference to Panel in January;
- Action Log 3 – closed as the Proposer is presenting their solution to the Workgroup.

### **Proposer Presentation**

The Proposer shared the slides with their proposed solution which can be found in the Workgroup Papers 2 slides

Points of discussions were as follows:

- The Proposer highlighted to the Workgroup that they would no longer include BSUoS Fund within the solution and that the defect will be addressed through other means as highlighted on slide 11. It was believed that dealing the BSUoS fund within the solution could result in a perverse outcome i.e. more tax and cost.
- The Authority gave an update that the Director was discussing the timeline with the Treasury this week and will hopefully have a timeline for a decision of increasing the ESO's Working Capital Facility (WCF).
- The Authority also added that they had spoken with their legal team and will have ongoing discussions regarding risks and treatment of the BSUoS fund and will work with the ESO to explore other potential solutions to deal with this.
- An action (Action 4) was set for the Proposer to design a timetable to assist with cross referencing when certain charges are set and forecasted to provide clarity which period under and over recovery applies.
- The Proposer will work with ESO to draft Legal Text and will keep the legal text generic to save any future modifications being raised to amend any future dates.

### **ESO's Presentation**

The ESO gave a presentation and spoke through their slides which can be found on slide 14 of Workgroup Papers 2 slides.

The workgroup discussed how Ofgem's decision date can impact the timeline and cycles of tariff calculations. The Proposer suggested when submitting the Report to the Authority it would be worth flagging how decision dates impact the implementation and receiving a decision before the tariff 5 is set would be preferable. Tariff 5 is due to be set in June 2024 and covers settlement days from 1<sup>st</sup> April 2025 to 30<sup>th</sup> September 2025.

The Proposer required clarification on the slides with the ESO presenter explaining discussions with the ESO and the Authority are ongoing with considering the benefits for the end consumers when tariffs are balanced throughout the year rather than setting a high cost tariff during the winter months.

A workgroup member queried whether given the complexities of how the current tariffs are set would it be premature to look at specific changes now? The workgroup agreed to continue moving forward. It was clarified that the workgroup are looking to reflect what currently happens in terms of consideration for any over/under recovery in future tariffs and make this clearer in the CUSC. This is to allow for more clarification to industry on how tariffs are set.

The presentation concluded with ESO and the Proposer agreeing to draft legal text offline.

**AOB**

None.

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**Next Steps**

- Chair to present agreed timeline to January Panel;
- Proposer to work on legal text with ESO;
- Next Workgroup to be held on 9 January 2023

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**Actions**

| Action number | Workgroup   | Owner    | Action   | Comment | Due by      | Status |
|---------------|-------------|----------|--|---------|-------------|--------|
|               | Raised      |          |  |         |             |        |
| 1             | Workgroup 1 | Chair    | Amend timeline to run workgroup consultation after the Christmas period  |         | Workgroup 2 | Closed |
| 2             | Workgroup 1 | All      | Consider the terms of reference  |         | Workgroup 2 | Closed |
| 3             | Workgroup 1 | Proposer | Present solution   |         | Workgroup 2 | Closed |
| 4             | Workgroup 2 | Proposer | Proposer to design a timetable to assist with cross referencing when certain charges are set and forecasted to align and provide clarity when under and over recovery applies to which period. |         | Workgroup 3 | Open   |
| 5             | Workgroup 2 | Proposer | Proposer to work with ESO to draft Legal Text and share with the Workgroup   |         | Workgroup 3 | Open   |

**Attendees**

| <b>Name</b>       | <b>Initial</b> | <b>Company</b>          | <b>Role</b>      |
|-------------------|----------------|-------------------------|------------------|
| Jonathan Whitaker | JW             | Code Administrator, ESO | Chair            |
| Tammy Meek        | TM             | Code Administrator, ESO | Tech Sec         |
| Damian Clough     | DC             | SSE                     | Proposer         |
| Alexis Rigas      | AR             | Brook Green Supply      | Workgroup Member |
| Alice Taylor      | AT             | ESO Representative      | Observer         |
| Craig Bell        | CB             | National Grid           | SME              |
| Niall Coyle       | NC             | Eon                     | Workgroup Member |
| Nick Everitt      | NE             | National Grid           | SME              |
| Paul Youngman     | PY             | Drax                    | Workgroup Member |
| Pedro Arcain      | PA             | Ofgem                   | Observer         |
| Robert Longden    | RL             | Cornwall Insight        | Workgroup Member |
| Simon Vicary      | SV             | EDF Energy              | Workgroup Member |