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BSUOS Tariff Update and Modification Implementation Impact – Webinar

Q&A Summary – 28/11/2024

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Purpose To summarise the questions asked as part of the BSUoS Tariff Update and Modification Implementation Impact webinar and the answers provided by the presenters.

Date 28/11/2024

Introduction

A webinar was held on 28 November 2024 to outline the latest view of BSUoS Fixed Tariff 6, and to provide an update on Ofgem decisions over modifications CMP408 and CMP415.

You can download the slide deck from this webinar [HERE](#)

You can view a recording of this webinar [HERE](#)

The following questions were asked, and answers provided during the webinar Q&A session:

#	Questions	Answers
1.	The dates for Dec 25 tariff 7 & 8 need correcting on the slide.	Thank you for highlighting this to us, and apologies for the error. The slides have been corrected in the published slide deck.
2.	Is there the potential that fixed tariffs could be reset after publication? For example, FT8	Yes, there is the potential to reset tariffs, but only if there is the risk of our forecast cash position exceeding our working capital facility of £300m.

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	is published in Dec 25, could that be revised prior to Oct 26?	<p>We publish a weekly view of our forecast cash position through our Revenue vs Cost report, available on our website: neso.energy/document/280681/download</p> <p>Additionally, we would welcome any feedback on how we can codify the Tariff Reset Mechanism in CUSC, and have created a feedback form which is linked below forms.office.com/Feedback on Revised BSUoS Timetable and NESO Tariff Reset</p>
3.	I assume BSUoS RF rates will just follow the same methodology as setting the SF rates?	<p>Yes, RF will be billed at the same tariff that applied when the SF was billed, there are no changes to the tariff between II, SF or RF.</p> <p>There will remain a variation between II, SF and RF runs but only as regards the chargeable volume based on the latest updated figures received from Elexon.</p>
4.	From fixed tariff 7 onwards, would you have access to the same amount of working capital fund (for example £300m) or would that fund increase, given in Dec-25, you would be fixing 12 months [through] 2 seasonal tariffs? Thanks	<p>We are not currently anticipating any change to the Working Capital Facility available to NESO to support the BSUoS charge, it remains at £300m.</p>
5.	Verbal question (paraphrased) - <i>Have internal costs increased by £300m since the last forecast?</i> <i>If so, is it likely to be a recurring increase, or is it a one-off?</i>	<p>There has been an increase in internal costs since our previous forecast.</p> <p>Per the NESO Financial Model, internal costs for 2025/26 are £841.5m, an increase of £299.3m since the December 2023 PCFM, and £114.9m above our high-level estimate provided in June.</p> <p>Increases have been driven by additional capex and macro-economic factors, and the impact of the new NESO financial framework.</p> <p>We do not anticipate, at this stage, that this number will increase any further in any future year. There are several different factors within the internal cost number which will drive it down and up, but as we only have a one-year forecast there are no numbers available for the future.</p>

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6.	<p>Will under/over recovery be fed into the next tariff to be published? And then a revised view will feed into the following tariff?</p> <p>Will under/over recovery be kept within seasons, or will it be spread over the whole 12 months that get published?</p>	<p>We will include within the Final Fixed Tariff 6 report our latest view of over/under-recovery and the methodology used for the adjustment.</p> <p>Any adjustment included within future tariffs will be calculated using our latest view as of tariff setting.</p> <p>We have not yet made any decisions on changes to our methodology following the approval of CMP408 and WACMI of CMP415. The methodology used will be dependent on our latest forecast cash position as of tariff setting, but we welcome any thoughts on this.</p>
7.	<p>Is there a fixed methodology for recovering under recovery in the next fixed period once the over-recovery is gone? If so, is there a document you can point me to?</p>	<p>Any under-recovery within a Fixed Tariff will be recovered in a future Fixed Tariff.</p> <p>The methodology and timing of the adjustment will be dependent on our latest forecast cash position to try and ensure our under-recovery does not exceed our working capital facility.</p> <p>Where possible, we will aim to maintain the methodology we've used to date, whereby any forecast over/under-recovery as of the end of a Fixed Tariff will be adjusted for in the next equivalent Fixed Tariff.</p> <p>For instance:</p> <p>Fixed Tariff 1 (Apr 23 – Sep 23) over-recovery fed into Fixed Tariff 3 (Apr 24 – Sep 24)</p> <p>Fixed Tariff 2 (Oct 23 – Mar 24) over-recovery fed into Fixed Tariff 4 (Oct 24 – Mar 25)</p>
8.	<p>Verbal question (paraphrased) – <i>What types of infrastructure does the Fixed Tariff recover the costs for?</i></p>	<p>BSUoS is a Balancing Service Use of System Charge, and so covers the cost to balance the system rather than infrastructure costs themselves.</p> <p>Internal costs within the BSUoS tariff recover costs incurred by NESO, such as the cost of the control room or salaries.</p> <p>The costs of building and maintaining the transmission network are recovered through TNUoS (Transmission Network Use of System) charges.</p>
9.	<p>Please can you pop back to the future timetable slides? Or confirm when a copy of the slides will be made available?</p>	<p>A copy of the slides is now available on our BSUoS charging homepage. These slides have the dates corrected on slides 6 and 7 as highlighted in question one of this Q&A document.</p>

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Document Revision History

Version Number	Date of Issue	Notes
1.0	09/12/2024	BSUOS Tariff Update and Modification Implementation Impact Q&A