

Public






# BSUoS Tariff Updates and Modification Impact

28 November 2024

# Agenda

1. Recap
2. Ofgem Decision
3. Update on Tariff 6
4. Next Steps
5. Questions and Answers

Supporting the webinar today + others!

				
<b>Nick Everitt</b>	<b>Katie Clark</b>	<b>Ben Sloman</b>	<b>Al-Marwah Az-zahra</b>	<b>Nicky White</b>
Revenue Manager - Tariff Setting	Senior Revenue and Charging Analyst	Senior Modelling Specialist	Revenue and Charging Analyst	Revenue and Charging Analyst

## Post Webinar Updates

- We recorded this session – available [HERE](#)
  - Questions and answers have been captured [HERE](#)
- If you have any questions or feedback, please email us at [BSUoS.Queries@nationalenergyso.com](mailto:BSUoS.Queries@nationalenergyso.com)

# BSUoS Fixed Tariff Recap

## BSUoS Fixed Tariff

Final Tariff 4 - Oct 2024 - Mar 2025

Draft Tariff 5 - Apr 2025 – Sep 2025

Published 22<sup>nd</sup> December 2023

### Introduction

From 1<sup>st</sup> 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 Oct 2024 to Mar 2025 period as well as providing a draft view of the Apr 2025 to Sept 2025 tariff period. We are calling these BSUoS Fixed Tariffs 4 and 5 respectively.

### Background

The costs of balancing the system change and are difficult to predict. 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 15<sup>th</sup> December 2022.

The decision was made to implement WACM3 (Workgroup Alternative CUSC Modification) from the 1<sup>st</sup> 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 (Fixed Tariff 1) and Oct 2023 to Apr 2024 (Fixed Tariff 2) were published at the end of January 2023.

Final BSUoS tariff for Apr 2024 to Sep 2024 (Fixed Tariff 3) was published at the end of June 2023.

### Webinar – 11<sup>th</sup> January

We will be running a webinar on the 11<sup>th</sup> January 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](#)

### 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.

1

Document or Webpage	Links
CMP308 – BSUoS charged on final demand only from 2023/24	<a href="#">Web link</a>
BSUoS Fixed Tariff Model Methodology	<a href="#">Download</a>
BSUoS Fixed Tariff Model Q&A	<a href="#">Download</a>
BSUoS Fixed Tariff Model Consultation 2	<a href="#">Download</a>
CMP361/362 – Ofgem minded-to 21/09/2022	<a href="#">Web link</a>
CMP361/362 – Ofgem update on minded-to 15/11/2022	<a href="#">Web link</a>
Draft BSUoS Fixed Tariff Published 31/10/2022	<a href="#">Download</a>
CMP406/407 – Raised but rejected	<a href="#">Web link</a>
Draft Tariff Webinar Held 23/11/2022	<a href="#">Download</a>
Ofgem Decision CMP361	<a href="#">Download</a>
CMP408 Raised – Change tariff notice period to 3 months	<a href="#">Web Link</a>
Final BSUoS Fixed Tariff Published 31/01/2023	<a href="#">Download</a>
Final Tariff Webinar Held 07/02/2023	<a href="#">Download</a>
BSUoS Fixed Tariff 3 Published 30/06/2023	<a href="#">Download</a>
BSUoS Fixed Tariff 4 Published 22/12/2023	<a href="#">Download</a>
BSUoS Fixed Tariff 5 Published 28/06/2024	<a href="#">Download</a>
Ofgem Decision CMP408	<a href="#">Web Link</a>
Ofgem Decision CMP415	<a href="#">Web Link</a>

# CMP408 and CMP415 (WACM1)

Allowing consideration of a different notice period for BSUoS tariff settings

Amending the Fixed Price Period from 6 to 12 months

# Ofgem Decisions

- CMP408 and WACM 1 of CMP415 approved for implementation
- Implementation date 1 April 2025
- No reset of tariffs that have already been published, and Fixed Tariff 6 to be published in December 2024
- In December 2025, NESO will publish the first seasonal tariffs (BSUoS Fixed Tariffs 7 and 8) under the new arrangements, 3 months before BSUoS Fixed Tariff 6 ends, for a 12-month period. Subsequent tariffs will then be published every December.
- Implementation will be complemented by clear tariff reset mechanisms adopted by NESO, and incorporated into CUSC

# BSUoS Fixed Tariff Timetable

Publish Final Tariff (FT)

Effective Tariff Period

• **Publication Dates:**

- **December 2024**
  - Fixed Tariff 6 (Oct 25 – Mar 26)
- **December 2025**
  - Fixed Tariff 7 (Apr 26 – Sep 26) and Fixed Tariff 8 (Oct 26 – Mar 27)

2024/25					2025/26							2026/27																	
Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25	Jan 26	Feb 26	Mar 26	Apr 26	May 26	Jun 26	Jul 26	Aug 26	Sep 26	Oct 26	Nov 26	Dec 26			
Fixed Tariff 4 in effect																													
					Fixed Tariff 5 in effect																								
		FT6											Fixed Tariff 6 in effect																
													FT7		Fixed Tariff 7 in effect														
													FT8												Fixed Tariff 8...				
																									FT9				
																									FT10				

# BSUoS Fixed Tariff Timetable (proposed)

• **Publication Dates:**

- **December 2024**
  - Fixed Tariff 6 (Oct 25 – Mar 26)
- **December 2025**
  - Fixed Tariff 7 (Apr 26 – Sep 26) and Fixed Tariff 8 (Oct 26 – Mar 27)

• **Proposed Additional Dates**

- **June 2025**
  - Initial View Tariff 7 & Tariff 8
- **September 2025**
  - Draft Tariff 7 and Draft Tariff 8

Publish Final Tariff (FT)

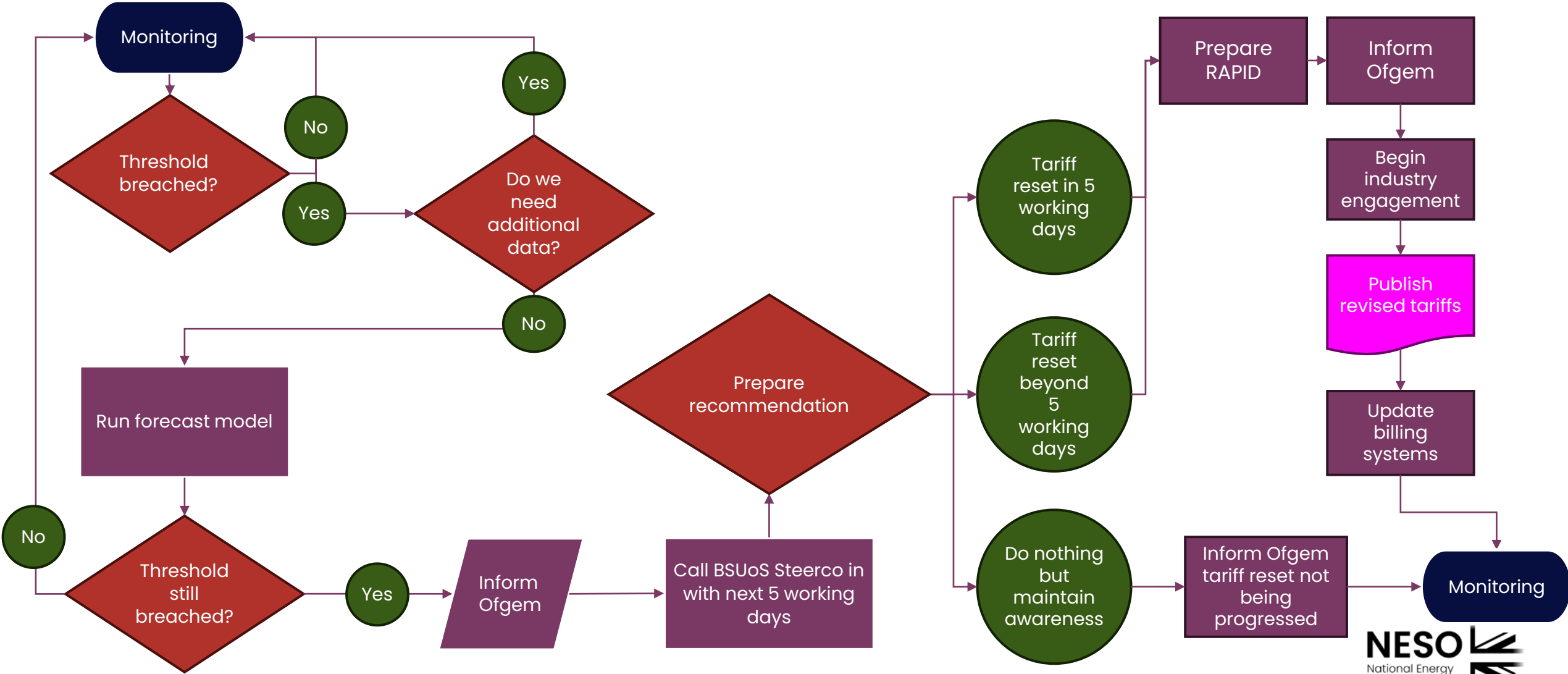
Effective Tariff Period

Initial Forecast

Draft Tariff

2024/25					2025/26								2026/27																
Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25	Jan 26	Feb 26	Mar 26	Apr 26	May 26	Jun 26	Jul 26	Aug 26	Sep 26	Oct 26	Nov 26	Dec 26			
Fixed Tariff 4 in effect																													
					Fixed Tariff 5 in effect																								
					FT6					Fixed Tariff 6 in effect																			
					IF7			DT7		FT7			Fixed Tariff 7 in effect																
					IF8			DT8		FT8			Fixed Tariff 8...																
																			IF9		DT9		FT9						
																			IF10		DT10		FT10						

# Tariff Reset Process





# Your Feedback

We're keen to hear your thoughts on how we can best implement Ofgem's decision

- Please follow the link to have your say on:
  - Proposed timetable for Tariff Updates
  - What do you want to see in Tariff Reset Methodology
  - Any additional comments on this webinar, or any parts of the BSUoS Tariff Setting Process

[BSUoS Tariffs Feedback Form](#)

Or please send any other feedback you have via email

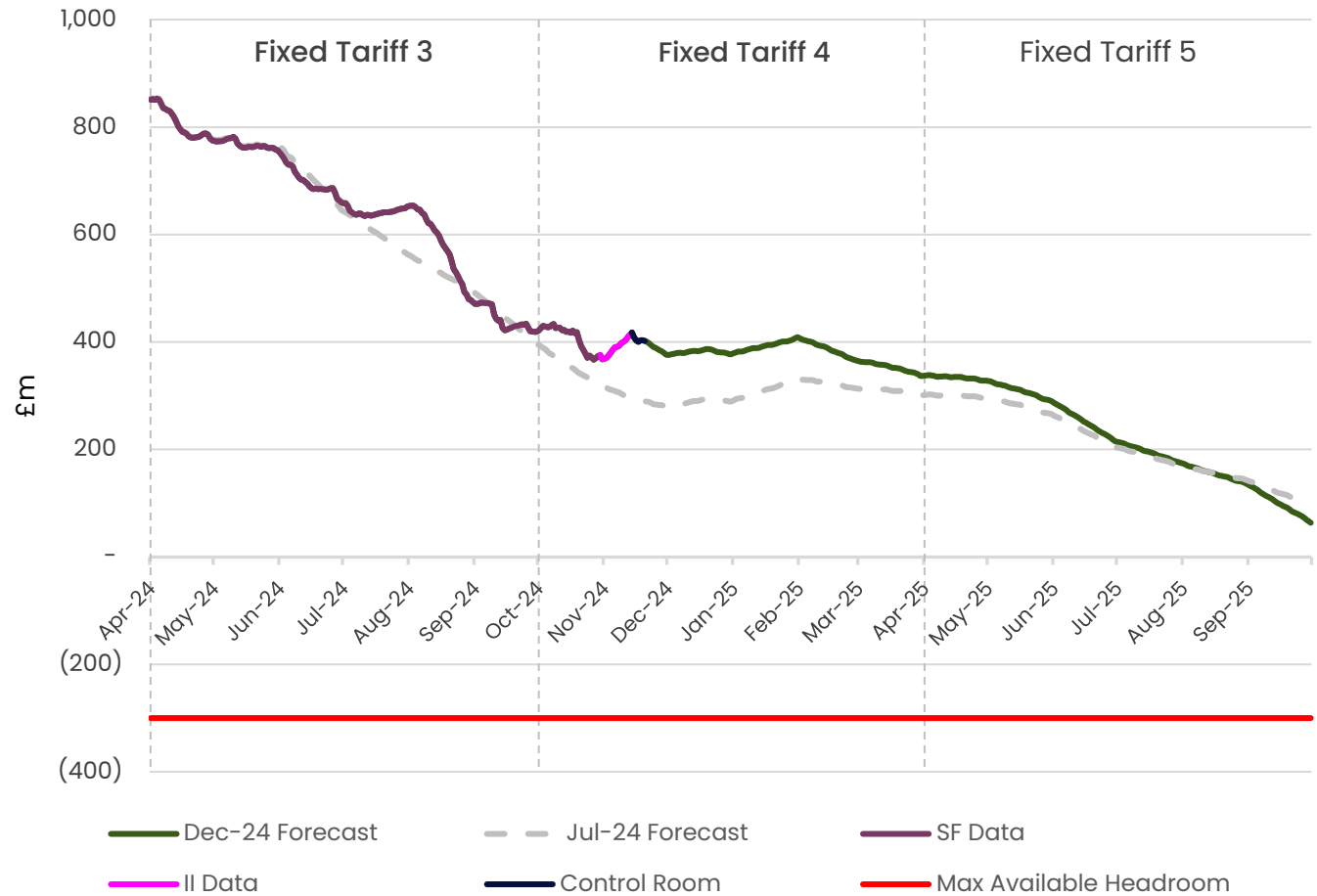
[bsuos.queries@nationalenergyso.com](mailto:bsuos.queries@nationalenergyso.com)

# Latest View of Fixed Tariff 6

# Forecast Over-Recovery Position

- Fixed Tariff 3 - £419m (£22m increase)
- Fixed Tariff 4 - £337m (£37m increase)
- Fixed Tariff 5 - £64m (£33m decrease)

### Cumulative Forecast Over/Under-Recovery



\*All values as of 21 November 2024

# Over-Recovery Adjustment

We have assumed a continuation of the approach used with Draft Tariff 6 for Fixed Tariff 6

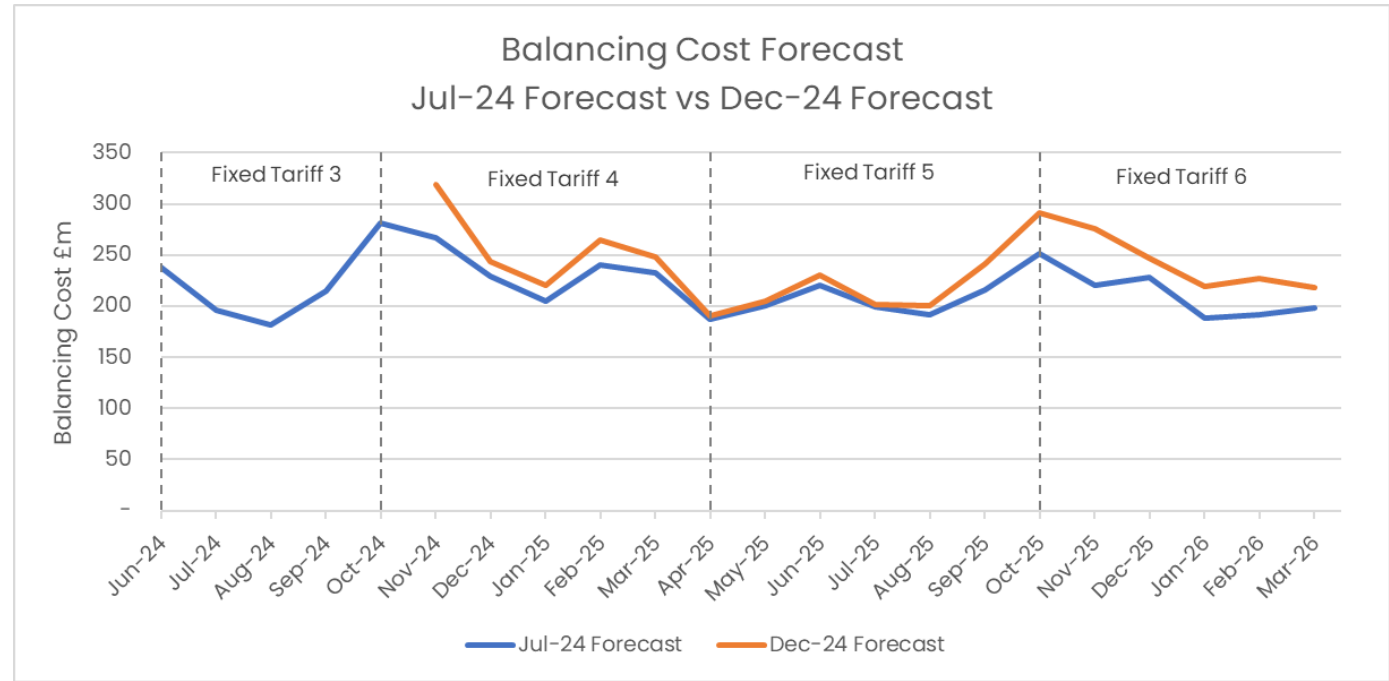
**Tariff 6 includes forecast over-recovery to the end of Fixed Tariff 4, less any adjustment within Fixed Tariff 5**

	Starting Cash Position	Over-Recovery Adjustment in Tariff	Within Tariff Over/(Under)-Recovery	Forecast Cash Position at End of Tariff
Fixed Tariff 3	<b>854.3</b>	-504.0	68.7	<b>419.0</b>
Fixed Tariff 4	<b>419.0</b>	-182.0	99.9	<b>336.9</b>
Fixed Tariff 5	<b>336.9</b>	-215.0	-58.2	<b>63.7</b>
Final Tariff 6	<b>63.7</b>	-121.9	12.2	<b>-46.1</b>
Fixed Tariff 7	<b>-46.1</b>	TBC	TBC	TBC

\*All values as of 21 November 2024

# Balancing Cost Forecast

Since Draft Tariff 6, our balancing cost forecast for Fixed Tariff 6 has increased



- Based on an average of forward price curve derived between 1 and 7 November 2024
- There has been an increase in constraint costs (44%) with a small offset by wholesale market prices (-6%)
- **In the update, Fixed Tariff 6 is forecasted to have Balancing Costs of £1,488.8m, an increase of £168.7m since Draft Tariff 6 was published. For final Fixed Tariff 6, balancing costs will be reforecast at tariff setting in December 2024**

# Internal NESO Costs

Since Draft Tariff 6, Internal NESO costs have increased

- For Fixed Tariff 6, Internal Costs are calculated in the NESO Financial Model : [Regulatory finance | National Energy System Operator](#)
- Table below shows our latest view of 2025/26 Internal Costs, and the changes since Draft Tariff 6

	Draft Tariff	Updated View
December 2023 PCFM – 2025/26	542.2	542.2
Impact of NESO Framework	236.4*	221.8
Interest Repayment	-52.0*	-52.0
Additional Capex/ Macro-Economic Factors	-	157.9
Now recovered through Gas revenues	-	-28.4
<b>Total for 2025/26</b>	<b>726.6</b>	<b>841.5</b>
Less Amount included in Fixed Tariff 5	-271.9	-271.9
<b>Internal Costs for Fixed Tariff 6</b>	<b>456.3</b>	<b>569.6</b>

\*Shown as separate line items in Draft Tariff 6

- Further information on the effects of the financial framework can be found here: [National Energy System Operator Financial Handbook decision | Ofgem](#)

# Other Costs

## Winter Security of Supply

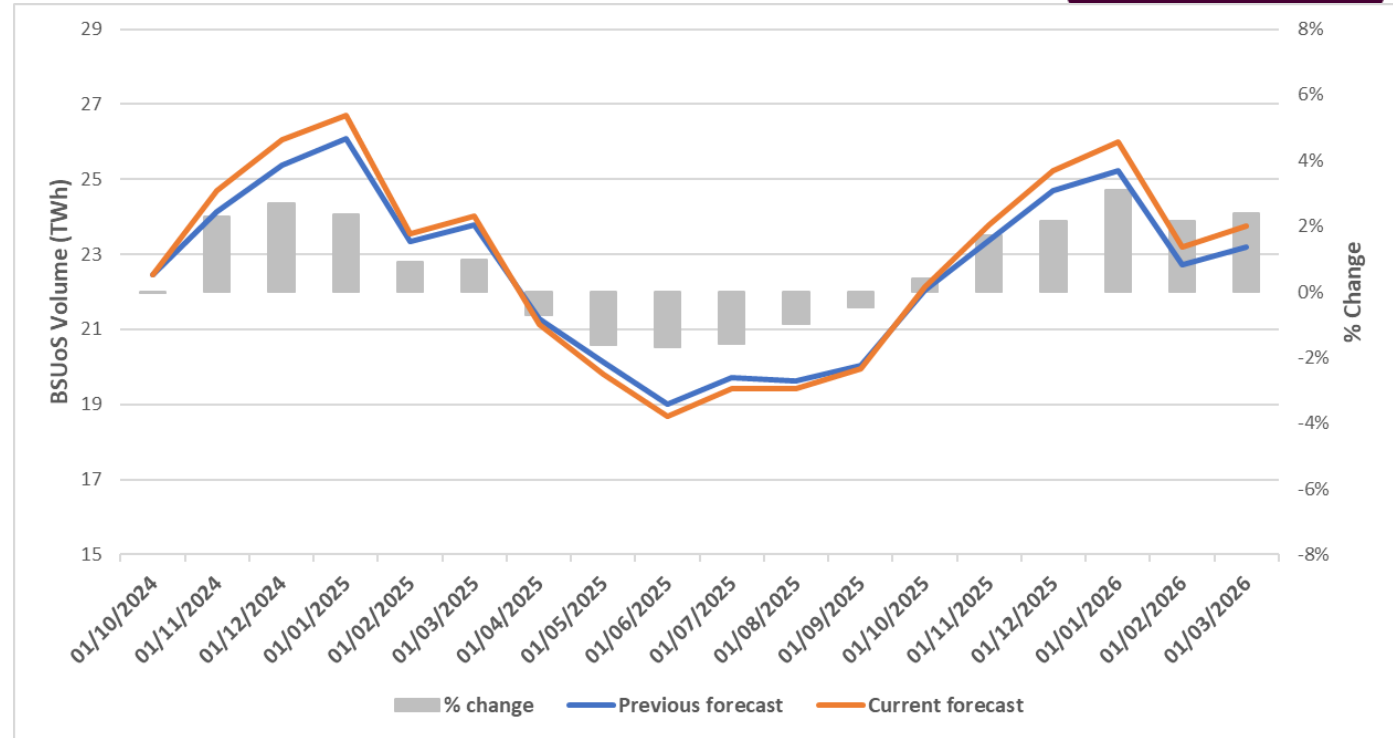
- NESO has received requests from the Secretary of State to undertake enhanced actions to ensure ongoing security of supply across the winter period.
- There may be the potential for similar requests for Winter 2025/26 which could impact Tariff 6. Winter Security of Supply remain zero

## CMP398/CMP412

- This modification was required to implement Grid Code Mod 0156 by providing a cost recovery mechanism for CUSC parties who do not hold contracts with NESO to provide Restoration Services.
- We originally forecast £8.6m to be claimed for the 2025/26 charging year. No successful claims were submitted in September, therefore we expect to return the £4.3m included in Fixed Tariff 5 in Fixed Tariff 6.

# Volume

Since Draft Tariff 6, our volume forecast for Fixed Tariff 6 has increased to 144.1 TWh



- The estimated BSUsS volume is set to increase in the update by an average 2% for FT6 since tariffs were published in June for DT6
- **Since DT6 was published, volume forecast for FT6 is forecasted to increase by around 2% which is in line with the over recovery forecasted positions and data refresh assumptions**

Volume Forecast Impact	% Change
Oct-24 tariff volume	1.5%
Apr-25 tariff volume	-1.2%
Oct-25 tariff volume	2.0%



# Latest View of Fixed Tariff 6

## Draft Tariff 6 – Published June 2024

		Description	Draft Tariff
Fixed Tariff 6 Oct-Mar		Balancing Costs (Central) £m	1,320.1
		Internal Costs £m	270.4
		Cumulative forecast over-recovery by end of FT4, less any adjustment in FT5 £m	-85.6
		CMP398 Claim Forecast £m	4.3
		Interest Repayment £m	-52.0
		NESO Framework Estimate £m	236.4
		Winter Security of Supply £m	0.0
		<b>Total BSUoS £m</b>	<b>1,693.5</b>
		Estimated BSUoS Volume TWh	141.2
		<b>BSUoS Tariff £/MWh</b>	<b>£11.99</b>

## Updated View – November 2024

		Description	Updated View
Fixed Tariff 6 Oct-Mar		Balancing Costs (Central) £m	1,488.8
		Internal Costs £m	569.6
		Cumulative forecast over-recovery by end of FT4, less any adjustment in FT5 £m	-121.9
		CMP398 Claim Forecast £m	-4.3
		Interest Repayment £m	Included in Internal Costs
		NESO Framework £m	Included in Internal Costs
		Winter Security of Supply £m	0.0
		<b>Total BSUoS £m</b>	<b>1,932.2</b>
		Estimated BSUoS Volume TWh	144.1
		<b>BSUoS Tariff £/MWh</b>	<b>£13.41</b>

# Reporting

Report	Description	Link to Webpage	Webpage Location
BSUoS Monthly Forecast Report	Monthly forecast for month-ahead and a rolling 24 month period	<a href="#">Balancing Services Use of System (BSUoS) charges   NESO</a>	BSUoS Monthly Forecast
BSUoS Monthly Outturn Report	Monthly outturn report for the previous 12 months		BSUoS Monthly Forecast
Revenue vs Cost Report	Weekly view of latest II, SF and forecast revenue and cost data		Current BSUoS Data
Daily Web Prices	II and SF cost data at half-hourly granularity		Current BSUoS Data
Payment Calendar	This tells you which settlement days are being billed on a particular day and the payment day.		Useful Information and Documents
Monthly Balancing Services Summary	Provides the costs and volumes of BSUoS by month and service	<a href="#">Monthly Balancing Services summary (MBSS)   NESO</a>	

# Next Steps

December  
2024

Publish Final Fixed Tariff 6 (Oct 25 – Mar 26)

June 2025

Initial Forecast of Draft Tariff 7 and 8

September  
2025

Draft Tariff 7 and 8

December  
2025

Publish Final Fixed Tariff 7 and 8  
(Apr 26 – Sep 26 and Oct 26 – Mar 27)

# Q&A

- Please enter your questions in teams chat.
- If you would like to ask a question verbally then please raise your hand so you can be unmuted.
- If you have any questions or feedback after this webinar please email [bsuos.queries@nationalenergyso.com](mailto:bsuos.queries@nationalenergyso.com) and put "BSUoS Fixed Tariff Webinar" in the subject of your email.

Thank you for your time and input today!





# Thank you!

Please provide your feedback through the link

[BSUoS Tariffs Feedback Form](#)

Or please send any other feedback you have via  
email

[bsuos.queries@nationalenergyso.com](mailto:bsuos.queries@nationalenergyso.com)