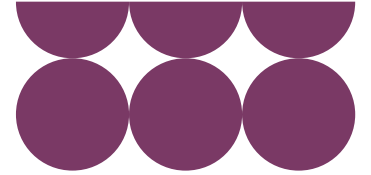


December 2024

BSUoS Fixed Tariff 6

October 2025 – March 2026

National Energy System Operator



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Introduction

From 1 April 2023 Balancing System Use of System (BSUoS) costs have been recovered under a new fixed tariff methodology as defined by CMP361, whereby a 6-month tariff is set with 9 months' notice of the tariff values being provided by the National Energy System Operator (NESO). This report defines the final BSUoS tariff for the October 2025 to March 2026 tariff period, Final Fixed Tariff 6. Fixed Tariff 6 will be the last published under the approved CMP361 methodology, whereby a 6-month tariff is set with 9 months' notice. From 1 April 2025 we will publish two seasonal tariffs, (April – September and October – March) with 3 months' notice.

Fixed Tariff 6

Fixed Tariff 6 (Oct 25 – Mar 26) has been set at £15.69 (an increase of £3.70/MWh compared to our Draft Tariff).

This increase has been driven by increases in our balancing cost forecast, internal costs based on the November 2024 NESO Financial Model, and an increase from our treatment of over/under-recovery from previous fixed tariffs.

Based on our January 2025 balancing cost and volume forecast, we are forecasting to be over-recovered to the end of Fixed Tariff 4 by £224m and under-recovered by the end of Fixed Tariff 5 by £160m (as of 11 December 2024).

We are therefore including within Fixed Tariff 6 the cumulative forecast under-recovery to the end of Fixed Tariff 5. This is a change to our previous methodology; however, this approach has been taken to return our forecast cash position at the end of Fixed Tariff 6 to more neutral cash position, and to reduce the risk of a tariff reset.

Please also note that we have not included a Draft Tariff 7 within this report. Fixed Tariff 7 and Fixed Tariff 8 will fall under the new CMP408 and CMP415 methodology, and will be published in December 2025, with an initial forecast in June 2025, and Draft Tariff in September 2025.

Webinar – 15 January 2025

We will be running a webinar on 15 January 2025 to discuss this final tariff and answer any questions that you may have about it.

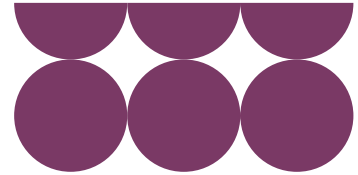
Click the button below to register for the webinar.

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

Feedback

We welcome feedback on any aspect of this document and the tariff setting processes.

In particular, following the approval of CUSC modifications CMP408 & CMP415, we are keen to hear what you would like to see included within CUSC for the BSUoS tariff reset process.



We strongly encourage all parties affected by the changes to the BSUoS charging regime to engage with us to flag any concerns and suggestions.

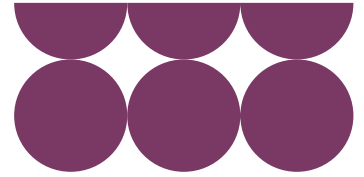
Please contact us if you have any further suggestions as to how we can better

work with you to improve the BSUoS tariff forecasting process.

Our contact details:

Email:

BSUoS.Queries@nationalenergyso.com



BSUoS Tariff Setting Overview

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 December 2022.

The decision was made to implement WACM3 (Workgroup Alternative CUSC Modification) from the 1 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 April 2023 to September 2023 (Fixed Tariff 1) and October 2023 to March 2024 (Fixed Tariff 2) were published at the end of January 2023.

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

Final BSUoS tariff for October 2024 to March 2025 (Fixed Tariff 4) was published in December 2023.

Final BSUoS tariff for April 2025 to September 2025 (Fixed Tariff 5) was published at the end of June 2024.

We are only publishing Fixed Tariff 6 here.

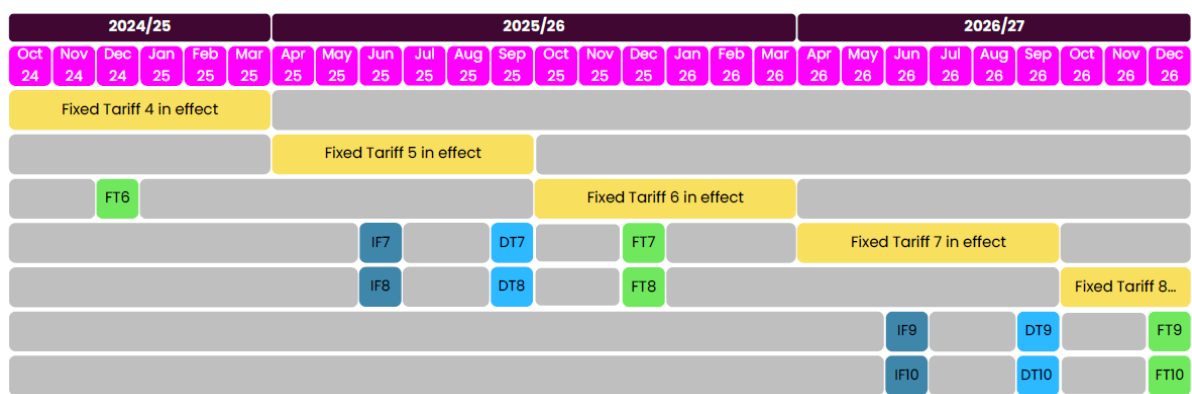
Following on from the approval of CMP408/415 from Ofgem, Fixed Tariff 7 and Fixed Tariff 8 will be finalised and published in December 2025.

Future BSUoS Timeline

In October 2024, Ofgem approved CMP408 and CMP415 (WACM1). CMP408 looked to change the BSUoS notice period from its current 9 months to 3 months. CMP415 is a consequential modification for CMP408, which looked at a change to a definition in Section 11. Amending the Fixed Price Period from 6 months to 12 months. As a result of this decision, subsequent tariffs will be published every December.

Fixed Tariff 6 (Oct 25 – Mar 26) will be the last published under the approved CMP361 methodology, whereby a 6-month tariff is set with 9 months' notice. From 1 April 2025 we will publish two seasonal tariffs, (Apr – Sep and Oct – Mar) with 3 months' notice.

The below timeline shows the new publication dates and includes an Initial Forecast and Draft Tariff publication, which we intend to publish each year in June and September respectively. Fixed Tariff 7 and Fixed Tariff 8 will be the first set of tariffs published under this new regime in December 2025.



BSUoS Fixed Tariff 6 Calculation and Inputs

Fixed Tariff 6 Calculation

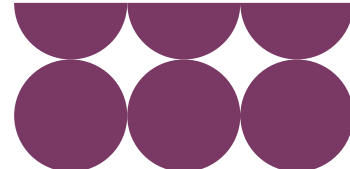
The forecasting model we have developed is used to determine balancing costs for the fixed tariff period ahead. The central forecast number determines the cost that goes into the tariff.

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.

The forecast for these additional costs is added to the central forecast for the balancing costs to calculate the total BSUoS Costs. These total BSUoS Costs are then divided by the BSUoS volumes to get to the final BSUoS tariff estimation for the fixed period.

Under WACM3 the process described above is carried out for each 6-month period that a tariff is fixed over.

Final Tariff 6 is shown on the next page.



Financial Year 2025/26 Fixed Tariff 6		
	Description	Final Tariff
Fixed Tariff 6 Oct-Mar	Balancing Costs (Central) £m	1,528.0
	Internal Costs £m	569.7
	Forecast cumulative over-recovery to the end of Fixed Tariff 5 £m	164.3
	CMP398 Claim Forecast £m	-4.3
	Prior Year Cost Under-Recovery £m	4.5
	RF Income Adjustment £m	-14.0
	Winter Security of Supply £m	0.0
	Total BSUoS £m	2,248.2
	Estimated BSUoS Volume TWh	143.3
	BSUoS Tariff £/MWh	£15.69

Balancing Costs

The biggest portion of the costs to be recovered through the BSUoS charge are the costs to balance the system. These costs have increased over the last few years, with several factors contributing including the increased contribution of renewable generation, the changing nature of the generation mix, and more recently the increase in wholesale electricity prices driven to a large extent by Russia's invasion of the Ukraine.

As well as being the largest portion of the BSUoS cost and therefore biggest component of the tariff, the balancing costs are also the hardest to forecast.

The balancing cost forecast was produced based on an average of the forward price curves derived between 2 December and 6 December 2024.

Since Draft Tariff 6 was published in June 2024, our balancing cost forecast has increased. This is primarily from a 45% increase in constraint costs, however this has been offset by a decrease in positive reserve costs. This is reflected in the updated Final Tariff, with balancing costs of £1,528m.

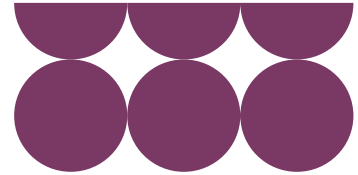
For further information on the methodology used in our model please refer to the BSUoS fixed tariff model consultation document links in Appendix A of this document.

Internal Costs

Internal costs (allowed revenue) are calculated in the NESO Financial Model (NESO FM). Total costs for 2025/26 are forecast at £841.5m. £271.9m was included within Fixed Tariff 5 (Apr 25 – Sep 25), based on the December 2023 PCFM, leaving £569.7m of internal costs to be recovered in Fixed Tariff 6.

Internal costs have also increased since Draft Tariff 6 was published in June.

In Draft Tariff 6, we included a high-level estimate of £236.4m to account for the new framework. The move to the NESO Financial model means we are now operating under



100% fast money, meaning we as NESO can seek to recover the full forecast spend within a financial year. The final impact was £221.8m, with a further decrease of £28.4m for costs now being recovered through gas revenues.

Draft Tariff 6 also included a £52m negative adjustment with respect to interest repayment on over-recovery from April 2023 – Mar 2024. This has been included within the new internal cost figure.

There has also been an additional £157.9m since Draft Tariff 6 relating to additional capex, for new projects such as control room upgrade, digital architecture, and connections reform, increases in the NESO headcount, and also macro-economic factors.

For further information on the NESO FM process please visit the Regulatory Finance NESO webpage neso.energy/about/operational-information/regulatory-finance

For further information on our BP2 submission please visit our webpage neso.energy/about/strategic-priorities/our-riio-2-business-plan or check out [the Final BP2 Delivery Plan 2023-2025](#) or for the overview the [BP2 Executive Summary](#)

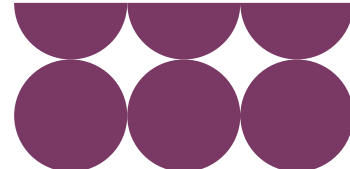
Forecast Over / Under Recovery Adjustment

From 1 April 2023, the daily costs incurred to operate the transmission system are now detached from what is recovered against the fixed tariff. This results in potential for both over and under recovery of revenue versus costs. Per CMP361, any under/over recovery feeds into future fixed tariffs.

For Fixed Tariff 6, based on our cumulative forecast under-recovery to the end of Fixed Tariff 5 has been included within Fixed Tariff 6. Forecast cash position used within tariff setting is as of 11 December 2024.

We are currently forecasting to be £224m over-recovered by the end of Fixed Tariff 4 and £160m under-recovered by the end of Fixed Tariff 5. We have already included £4.3m to be returned in respect of over-recovery relating to CMP398/412 as a separate line item within Tariff 6 therefore we are recovering £164.3m in Fixed Tariff 6.

This is a change to the methodology that we have used in previous tariff setting, however, we have chosen the approach due to the increased risk remaining in an under-recovery position has on the potential for a tariff reset. Under this approach, we are forecasting to be in a neutral cash position by the end of Fixed Tariff 6.



Forecast cash positions as of 11 December 2024

Fixed Tariff	Over Recovery Adjustment (£m)	Over/(Under) Recovery (£m)	Total Over/(Under) Recovery (£m)	Cumulative Cash Position (£m)
Fixed Tariff 1 (Apr 23 – Sep 23)	-	349.3	349.3	349.3
Fixed Tariff 2 (Oct 23 – Mar 24)	-	504.9	504.9	854.3
Fixed Tariff 3 (Apr 24 – Sep 24)	(504.0)	72.0	(432.2)	422.1
Fixed Tariff 4 (Oct 24 – Mar 25)	(182.0)	(15.5)	(197.5)	224.6
Fixed Tariff 5 (Apr 25 – Sep 25)	(215.0)	(169.6)	(384.6)	(160.0)
Fixed Tariff 6 (Oct 25 – Mar 26)	(164.3)	13.6	150.7	9.3

Please note, our forecast cash position does not return exactly to zero at the end of Fixed Tariff 6. This is due to the balancing cost forecast used in the tariffs being a central 6-month forecast, whereas our comparative costs are forecast by individual month. The central 6-month forecast is not the same as the sum of the central cases across individual months.

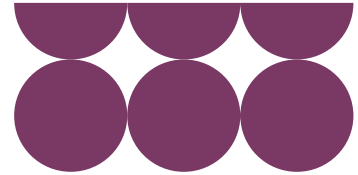
Since Draft Tariff 6 was published in June 2024, there have been some changes to our forecast and outturn cash position.

For Fixed Tariff 3 (Apr 24 – Sep 24), our cumulative cash position out turned at £422m, £25m above our forecast in June. There were mixed outturns in the final months of Fixed Tariff 3, with August 2024 out turning at the 80th percentile of our tariff setting forecast, driven by high levels of wind generation coupled with outages on the system, with lower than forecast costs in July and September 2024.

For Fixed Tariff 4 (Oct 24 – Mar 25), our forecast cumulative cash position is £224m, £76m below our forecast in June. Forecast costs for December to March have increased, driven by a 10% increase in our wholesale market price forecast and increases in constraint costs.

For Fixed Tariff 5 (Apr 25 – Sep 25), our forecast cumulative cash position is £160m, £261, below our forecast in June. There has been a £182m increase in our forecast balancing costs, primarily from increases in constraint costs.

For further detail on our over-recovery position please visit our website: [Fixed Tariff Revenue vs Costs Report](#)



CMP398/412 – GC0156 Cost Recovery mechanism for CUSC Parties

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 the NESO to provide Restoration Services. The first claims submission window was September 2024, which would have resulted in monthly repayments from April 2025. No claims were submitted in September 2024 and so £4.3m included in FT5 will be returned in FT6.

For further details on the background and status of CMP398 please visit the webpage neso.energy/industry-information/codes/cusc/modifications/cmp398-gc0156-cost-recovery-mechanism-cusc-parties.

Prior Year Costs for Recovery

We have identified an under recovery of £4.5m in prior years. This amount will be recovered in Fixed Tariff 6.

RF Income Repayment

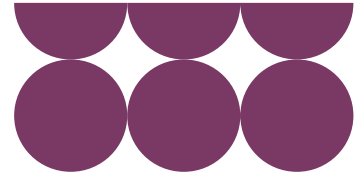
We are including a £14m negative adjustment in respect of RF income from 2023/24 (1 April 2023 – 11 October 2023).

Winter Security of Supply

For winter 2022/23 and 2023/24 NESO received requests from the Secretary of State to undertake enhanced actions to ensure ongoing security of supply across the winter period. In Draft Tariff 6, a winter security of supply cost was not included for winter 2025/26. This figure has been reviewed and remains unchanged.

BSUoS Chargeable Volume

From April 2023, the code modification CMP308 came into effect which moved the charging of BSUoS from generation and demand to “Final Demand” only. Final Demand is currently defined as electricity consumed other than for the purposes of generation or export onto the electricity network. The BSUoS chargeable volume has been estimated using a simple linear regression using the NESO national demand forecast as the explanatory variable. The relationship is estimated using only BSUoS chargeable volume and national demand from after April 2023.



Additional Change since Draft

Costs for NESO Framework

We included £236.4m in Draft Tariff 6 for the impact of the new regulatory framework that would apply to the now established NESO. All the details of the implementation and funding of NESO have now been agreed, and going forward will be included in the internal NESO costs as published by NESO in the NESO FM by the end of November of each year.

Interest Repayment

We included a £52m reduction in Draft Tariff 6 in respect of interest due on the over-recovery for Fixed Tariff 1 and Fixed Tariff 2 (£854m). As the newly established NESO, for April 2025 to March 2026 the interest repayment is now included in the internal NESO costs.

BSUoS Reporting

We have committed to providing industry with visibility of upcoming costs and the potential for tariffs to be reset. To fulfil this, we have provided the following reporting:

1. Daily BSUoS costs as part of our web price reports.
2. Weekly report on the current recovery values against fixed tariff forecasts based on:
 - Actual BSUoS outturn costs (using the latest control room data, II and SF costs)
 - Actual BSUoS outturn volumes (using the latest of II and SF volumes)
 - Updated projections of cost and volume, based on latest monthly forecast
3. Monthly publications of balancing service forecast cost over a 2-year time horizon (as today)

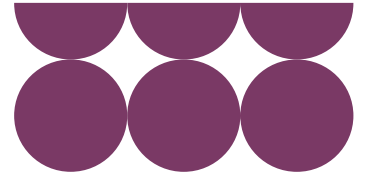
In the event of tariff reset during a fixed period looking likely, we would provide notice to industry as soon as practicably possible via our usual communication channels.

Next Steps

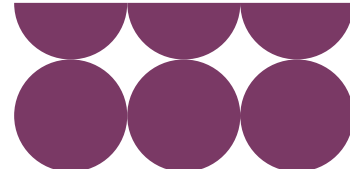
On 15 January 2025 we will be running a webinar to discuss this BSUoS Tariff document and answer any questions you may have, you can register for the webinar here:

[Registration Link for BSUoS Webinar](#)

Please subscribe to our mailing list to receive further updates about the BSUoS fixed tariff implementation and anything else BSUoS related if you are not already a subscriber. [Click here to Join Our Mailing List.](#)



If you have any immediate questions about this publication or anything else BSUoS fixed tariff related, please contact us at BSUoS.Queries@nationalenergyso.com.

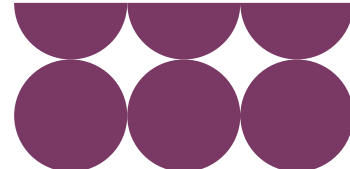


Appendix A – Document Links

	Description	Link/Source
Model Consultation Info.	BSUoS Fixed Tariff Model Consultation - June 2022	https://www.neso.energy/document/262041/download
	BSUoS Fixed Tariff Model Consultation - Webinar Slides June 2022	https://www.neso.energy/document/262326/download
	BSUoS Fixed Tariff Model Consultation - Webinar Q&A June 2022	https://www.neso.energy/document/262531/download
	BSUoS Fixed Tariff Model Consultation - Webinar Recording	https://players.brightcove.net/867903724001/default_default/index.html?videoid=6308766047112
	BSUoS Fixed Tariff Model Consultation 2 - Webinar Slides August 2022	https://www.neso.energy/document/265571/download
	Latest Updates: BSUoS Fixed Tariff Publication FT5 & DT6 (Published on 28 June 2024)	https://www.neso.energy/document/320611/download
	Latest Updates: BSUoS Fixed Tariff Webinar FT5 & DT6 (Published on 29 July 2024)	https://www.neso.energy/document/321996/download
Model Inputs	Plexos constraint forecast	https://www.neso.energy/data-portal/24-months-ahead-constraint-cost-forecast
	Historic daily balancing costs	https://www.neso.energy/data-portal/daily-balancing-costs-balancing-services-use-system
	Future energy scenarios	https://www.neso.energy/publications/future-energy-scenarios-fes
	Weather data	https://gmao.gsfc.nasa.gov/reanalysis/MERRA-2/
CMP361, CMP362, CMP408 & CMP415	CMP361 and CMP362 Final Modification Report (8 March 2022)	https://www.neso.energy/document/246486/download
	Ofgem’s minded-to decision (21 September 2022)	https://www.ofgem.gov.uk/sites/default/files/2022-09/CMP361 Minded-to final PDF - Publication.pdf
	Ofgem’s final decision (15 December 2022)	https://www.ofgem.gov.uk/publications/cmp361-and-cmp362-decision
	CMP361 and CMP362 Modification Web Page	https://www.neso.energy/industry-information/codes/cusc/modifications/cmp361-cmp362-bsuos-reform-introduction-ex-ante-fixed-bsuos-tariff-consequential-definition-updates
	CMP408 Final Modification Report (13 October 2023)	https://www.neso.energy/document/290096/download
	Ofgem’s decision letter (30 October 2024)	https://www.neso.energy/document/346511/download

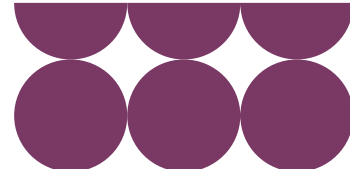


	Description	Link/Source
	CMP408 Modification Web Page	https://www.neso.energy/industry-information/codes/cusc/modifications/cmp408-allowing-consideration-different-notice-period-bsuos-tariff-settings
	CMP415 Final Modification Report (21 September 2023)	https://www.neso.energy/document/288861/download
	Ofgem’s final decision (30 October 2024)	https://www.neso.energy/document/346516/download
	CMP415 Modification Web Page	https://www.neso.energy/industry-information/codes/cusc/modifications/cmp415-amending-fixed-price-period-6-12-months
Cost Info.	NESO FM / Regulatory Finance NESO webpage	https://www.neso.energy/about/operational-information/regulatory-finance
	NESO BP2 Webpage	https://www.neso.energy/about/strategic-priorities/our-riio-2-business-plan
	Final BP2 Delivery Plan 2023-2025	https://www.neso.energy/document/266156/download
	BP2 Executive Summary	https://www.neso.energy/document/266151/download
General	NESO Main BSUoS Webpage	https://www.neso.energy/industry-information/charging/balancing-services-use-system-bsuos-charges
	NESO BSUoS Queries Email	BSUoS.Queries@nationalenergyso.com
	Join the NESO BSUoS Mailing List	https://neso.createsend.com/h/d/918820CF9659BD06
FSO Consultation	OFGEM FSO Funding Decision	https://www.ofgem.gov.uk/decision/decision-funding-transition-future-system-operator

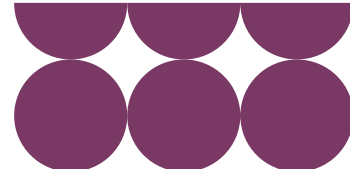


Appendix B – Summary of CUSC Modification Proposals Affecting BSUoS Tariffs

Name	Title	Status	Effect of change
CMP396	Re-introduction Of BSUoS on Interconnector Lead Parties	On 19 July 2024, the Authority rejected the proposed modification	This modification has been rejected. Proposed to re-introduce BSUoS on Interconnector Lead Parties to reflect BSUoS is an energy management cost and not a transmission access charge
CMP398	GC0156 Cost Recovery mechanism for CUSC Parties see also consequential CMP412	Implemented. The Authority approved Workgroup Alternative CUSC Modification Proposal (WACMI) on 29 February 2024 and this was implemented on 14 March 2024	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 the ESO to provide Restoration Services. The first claims submission window was September 2024, which looked to put in place monthly repayments from April 2025.
CMP408	Allowing consideration of a different notice period for BSUoS tariff settings	On 30 October 2024 the Authority approved the Original solution with implementation date of 1 April 2025	This modification introduces a 3-month notice period (changed from the current 9 months). Please refer to new 2025 timetable in this report consistent with implementation of the 3-month notice period.
CMP412	CMP398 Consequential Charging Modification	Implemented. The Authority approved the Original solution on 29 February 2024 and this was implemented on 14 March 2024.	Facilitates the implementation of CMP398, reflected within CUSC Section 14 (BSUoS), to ensure that any validated costs arising via the CMP398 solution are recovered (as happens today with black start costs via BSUoS)



Name	Title	Status	Effect of change
CMP415	Amending the Fixed Price Period from 6 to 12 months	On 30 October 2024 the Authority approved WACMI with implementation date of 1 April 2025	This modification is a consequential modification for CMP408, which looks at a change to a definition in Section 11. The change extends the fixed period to 12 months. Combined with approval of CMP408, this creates a combined period length of 15-month framework (as aligned to BSUoS Task Force recommendations) Please refer to new 2025 timetable in this report consistent with implementation of both CMP408 & CMP415.
CMP420	Treatment of BSUoS Revenue Recovery and creation of a BSUoS Fund	Withdrawn by the proposer. The CUSC Panel agreed to the withdrawal of the modification (at the May 2024 Panel meeting under CUSC 8.16.10(c))	This modification has been withdrawn. This modification looked to codify over and under recovery in terms of when this will be returned to or recovered from Industry including any inflation applied to the over or under recovery amounts



Document Revision History

Version Number	Date of Issue	Notes
1.0	20/12/2024	Publication of Fixed Tariff 6 (Oct 25 – Mar 26)

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