

Stabilising Balancing Services Use of System Charges (BSUoS)



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What is BSUoS?

Differences in
Balancing Mechanism
Bids and Offers

Balancing Services
and Contract Costs

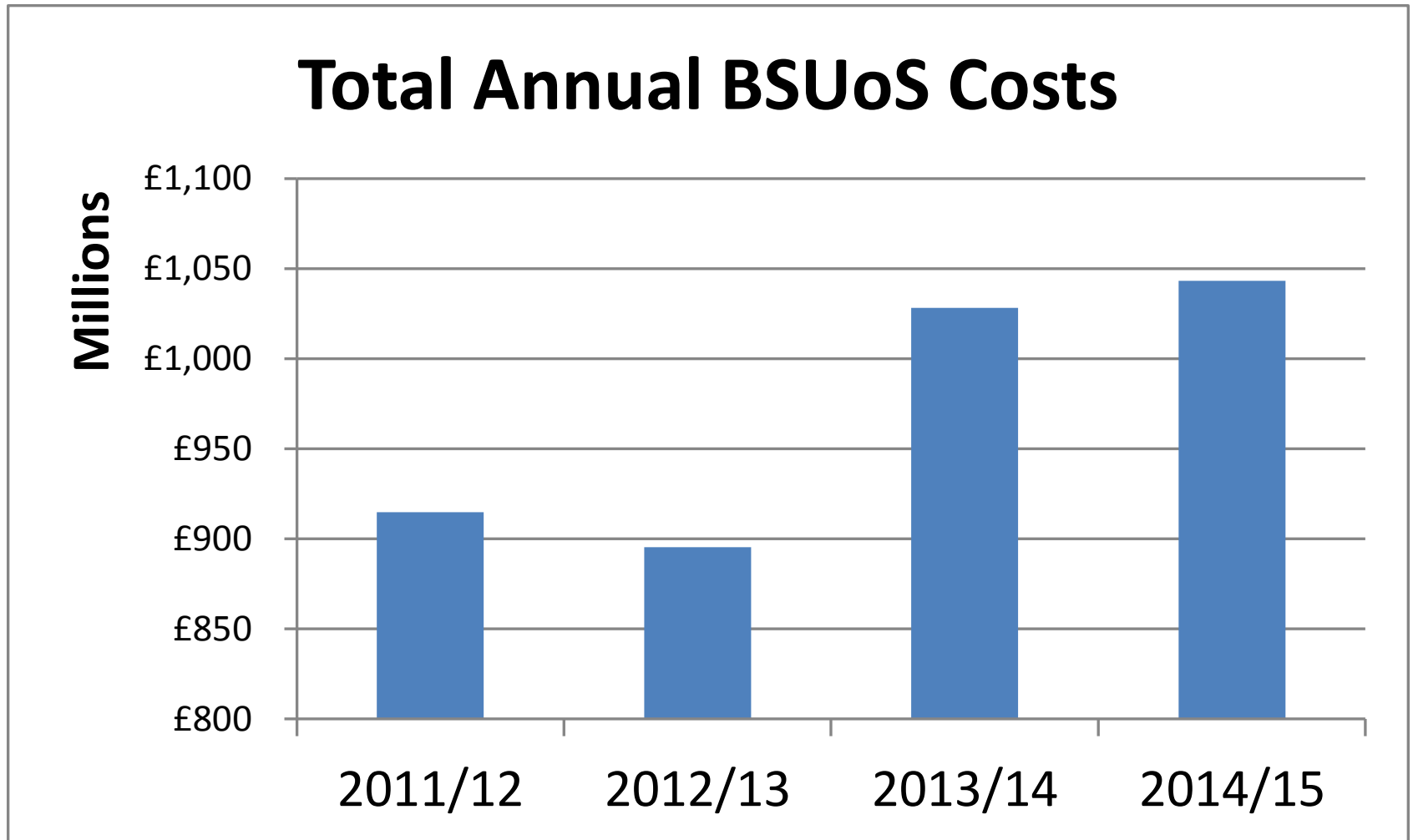
SO External
Incentive
Scheme

**BSUoS
Charges**

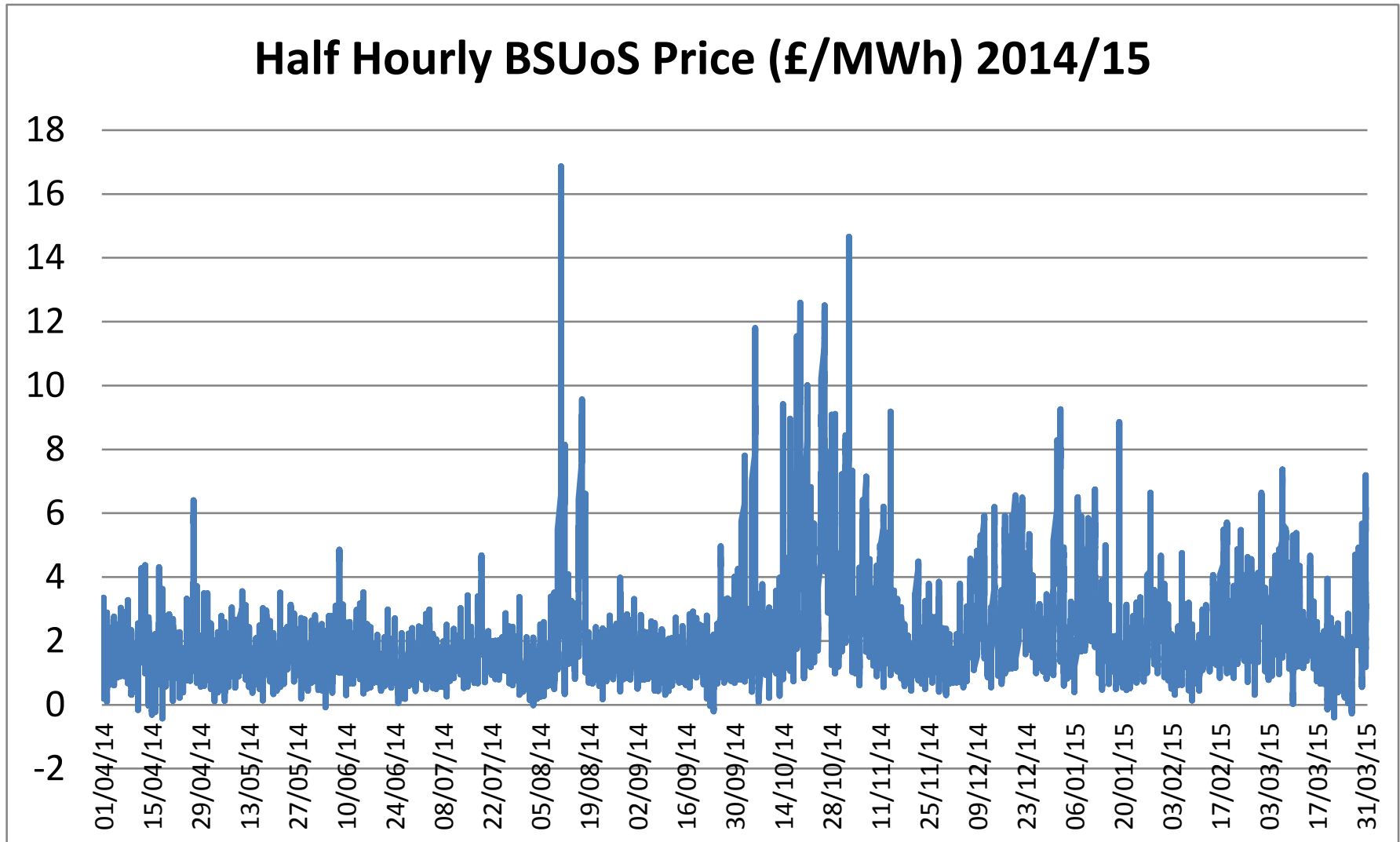
SO Constraint
Actions

Internal SO
Costs

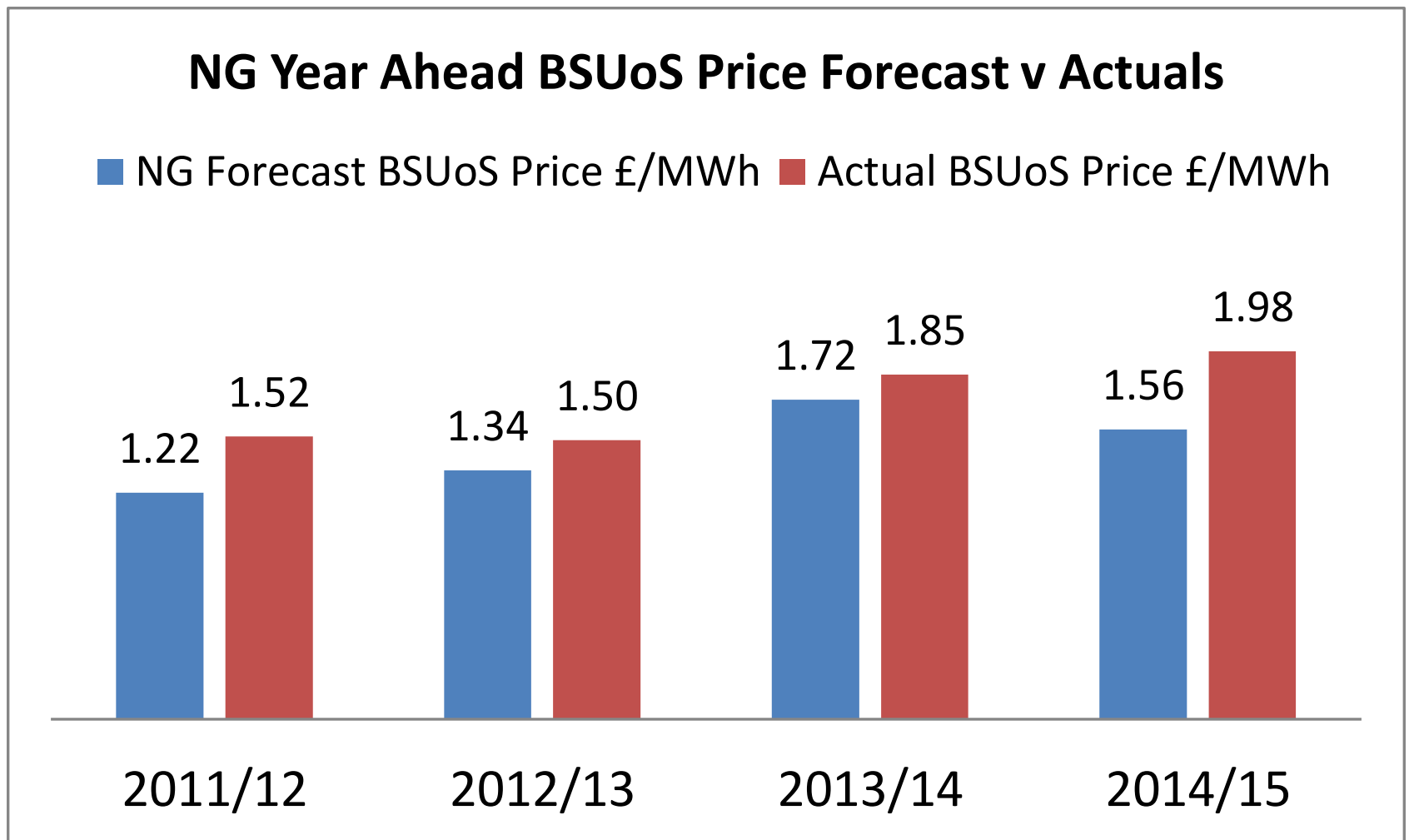
Historical Annual BSUoS Costs



BSUoS Volatility



Outturn BSUoS Price v NG Forecast



How is BSUoS instability a problem?

For Generators

- An inability to respond to price signals ahead of time, potentially leading to inefficient despatch decisions

For Suppliers

- Uncertainty over the uplift to include in customer contracts, potentially leading to high risk margins in customer bills

For Generators and Suppliers

- Frequent adjustments to the 29 day credit cover amount

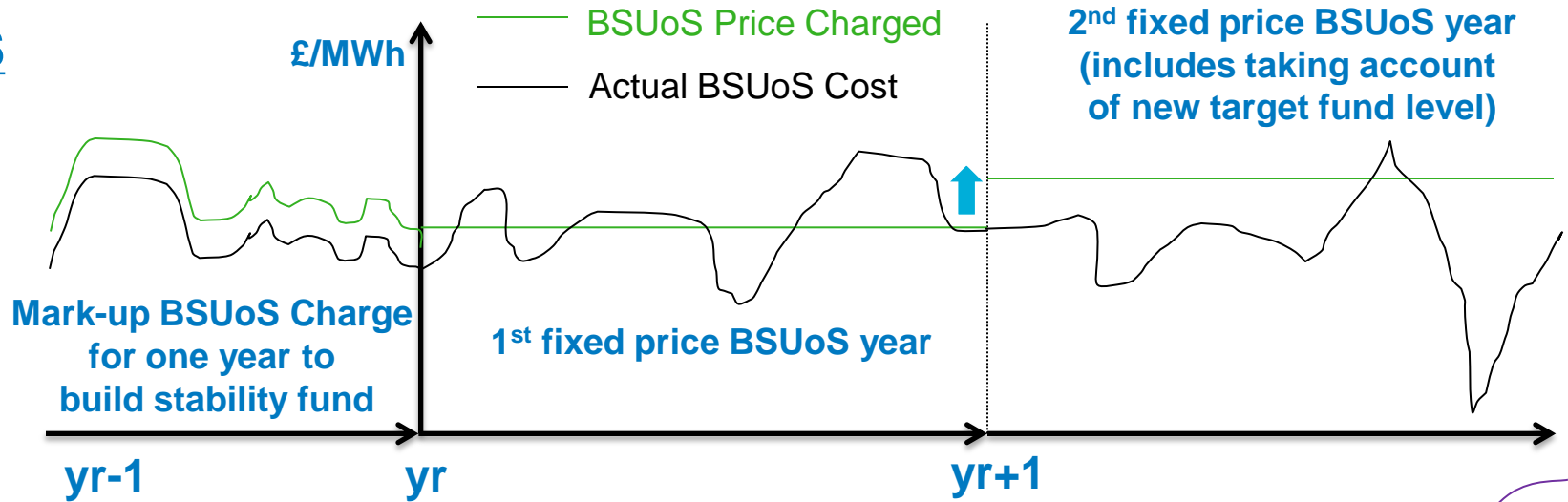
Possible Solutions

- Improve NG Forecast
 - Provides no certainty to market participants
 - Does not help efficient despatch

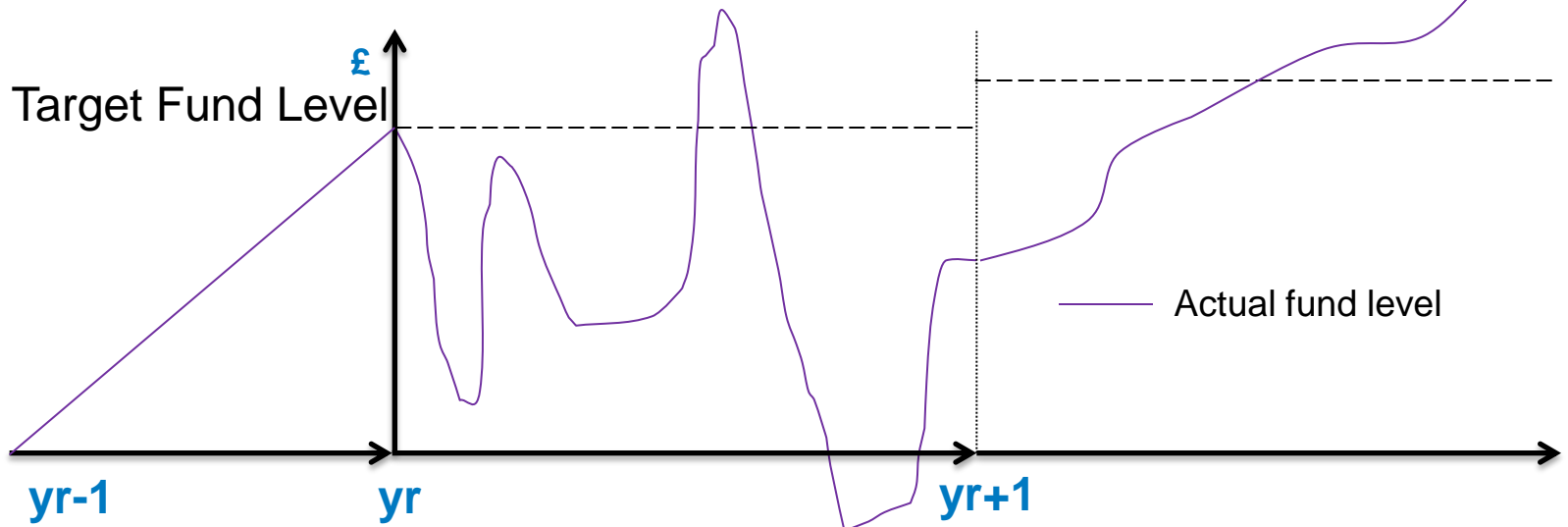
- Ex ante BSUoS Price
 - Fundamental change
 - Causes risk transfer from industry to SO

How might ex-ante BSUoS work?

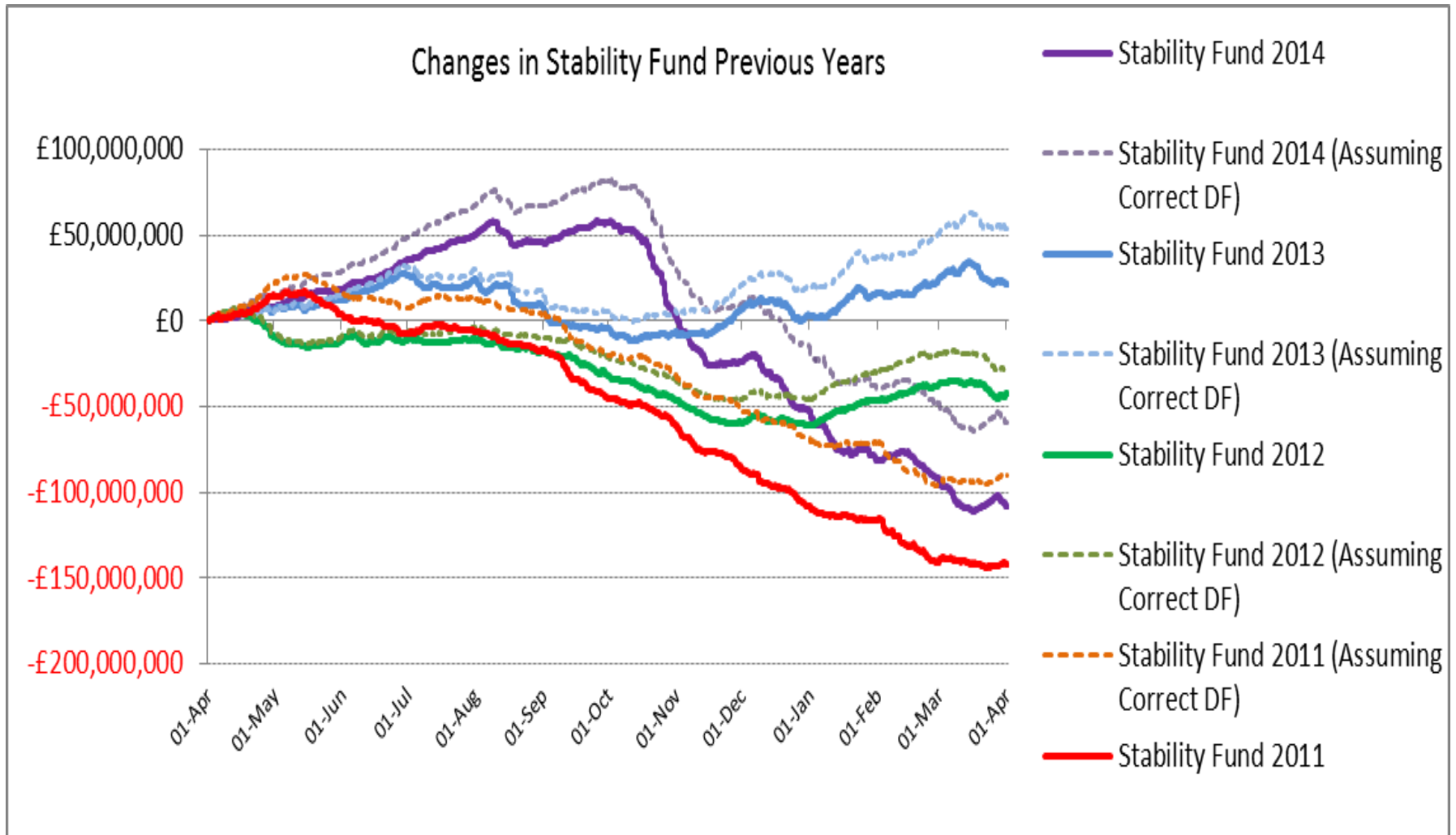
BSUoS Price



Stability Fund Level



Example potential exposures – one year fix



Further Discussion Ongoing

Key Questions

Granularity:
Day, week, month,
year ahead?

**Who takes the
risk?**
Industry/ TOs/ SO/
mix?

**Would it create
perverse
incentives?**

**Is it actually
cheaper?**