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## Workgroup Consultation Response Proforma

### CMP474: Fixed Balancing Services Use of System Price revision mechanism

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses to [cusc.team@neso.energy](mailto:cusc.team@neso.energy) by **5pm** on **25 May 2026**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact [cusc.team@neso.energy](mailto:cusc.team@neso.energy)

Respondent details	Please enter your details	
<b>Respondent name:</b>	Martin Cahill	
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<b>Phone number:</b>	07840722302	
<b>Which best describes your organisation?</b>	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input checked="" type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

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**I wish my response to be:**

(Please mark the relevant box)

☒ **Non-Confidential** (this will be shared with industry and the Panel for further consideration)

☐ **Confidential** (this will be disclosed to the Authority in full but, unless specified, will not be shared with the Panel or the industry for further consideration)

**For reference the Applicable CUSC (charging) Objectives are:**

- d) That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;
- e) That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C11 requirements of a connect and manage connection);
- f) That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses and the ISOP business\*;
- g) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*\*; and
- h) Promoting efficiency in the implementation and administration of the system charging methodology.

\* See Electricity System Operator Licence

\*\*The Electricity Regulation referred to in objective g) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.

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**For reference, (for consultation questions 5 & 6) the Electricity Balancing Regulation (EBR) Article 3 Objectives and regulatory aspects are:**

- a) fostering effective competition, non-discrimination and transparency in balancing markets;*
- b) enhancing efficiency of balancing as well as efficiency of national balancing markets;*
- c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;*
- d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;*
- e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;*
- f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;*
- g) facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.*

### What is the EBR?

The Electricity Balancing Regulation (EBR) is a European Network Code introduced by the Third Energy Package European legislation in late 2017.

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The EBR regulation lays down the rules for the integration of balancing markets in Europe, with the objectives of enhancing Europe's security of supply. The EBR aims to do this through harmonisation of electricity balancing rules and facilitating the exchange of balancing resources between European Transmission System Operators (TSOs). Article 18 of the EBR states that TSOs such as the NESO should have terms and conditions developed for balancing services, which are submitted and approved by Ofgem.

**Please express your views in the right-hand side of the table below, including your rationale.**

Standard Workgroup Consultation questions			
1	Do you believe that the Original Proposal better facilitate the Applicable Objectives versus the current baseline?	Mark the Objectives which you believe the original solution better facilitates the current baseline:	
		Original	<input checked="" type="checkbox"/> d <input type="checkbox"/> e <input type="checkbox"/> f <input type="checkbox"/> g <input type="checkbox"/> h <input type="checkbox"/> None
		NESO recognises the impact that a BSUoS tariff reset could have on Suppliers and their customers. Discussions in this workgroup have highlighted the significance of this impact if there was a reset to the tariff in a quarterly price cap period after prices had been set. By lengthening the notice period for a tariff reset to ensure that this scenario isn't possible, there is a positive impact for suppliers and their customers. Therefore we have judged the Original proposal to have a positive impact on charging objective (d) facilitating effective competition.	

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		<p>If NESO needed to reset a tariff today, it would only be possible to hold the Working Capital Facility at the level when the reset was triggered. CMP474 proposes to allow recovery to a utilisation threshold of 75% or 50% which could reduce the risk of a further tariff reset.</p> <p>However, our view is that the notice period proposed is too long. We have highlighted in workgroups that there have been single months where costs have been £100–200m higher than forecast. With a Working Capital Facility of £300m, it is possible to go from over-collection to exhausting available working capital within just a few months (i.e. potentially before it would be possible to address via a revised tariff or new fixed tariff).</p> <p>The risk could also vary depending on the time of year. If the outlook for the following 6 months worsened significantly in, for example, early September then there would be nearly 6 months (i.e. the following April) before tariffs could be revised to reset to address the shortfall.</p> <p>Considering the above, we do believe that the Original proposal could result in a higher chance of a tariff reset. To date NESO has never revised a BSUoS tariff, recognising the huge impact doing so would have. However the uncertainty that a multiple month lead time for any resets would present would likely require additional contingency to be built into our</p>
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		processes. Therefore we have judged there to be a negative impact on charging objective e.
2	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  We agree with the logic of a shorter notice period for the initial implementation period given the length of time between the decision date and the start of Fixed Tariff Period 8.
3	Do you have any other comments?	No
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section <a href="#">here</a> ) <input checked="" type="checkbox"/> No  Click or tap here to enter text.
5	Does the draft legal text satisfy the intent of the modification?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  Click or tap here to enter text.

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6	Do you agree with the Workgroup's assessment that the modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the Code?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		Click or tap here to enter text.

## Specific Workgroup Consultation questions

7	Do you agree with the proposed 50% threshold for the information notice?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		We are not sure linking the information to a specific % threshold is the most effective approach (see response to question 8), but if using a defined threshold then there may be merit in choosing a higher percentage such as 75% or 100% to provide a more appropriate balance between number of notices and identifying risk at an early stage.
8		<input type="checkbox"/> Yes

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	Will publication the proposed information notice be helpful to industry?	<input checked="" type="checkbox"/> No  <p>With the information notice being linked to a specific % threshold rather than when NESO believe there is a genuine risk of a tariff being reset, there is the potential to issue more notices than is necessary. This could result in stakeholders missing the most important updates.</p> <p>There is also a question of how much value the data contained in this notice would provide Industry with, given the BSUoS cost and forecast information already available on the NESO website.</p>
9	Do you agree with the proposed Working Capital utilisation floor of 50% and 75%?	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No  <p>While ideally this would allow recovery to a lower floor, these are more preferable to the baseline, which only allows NESO to hold at the point when the rest was triggered.</p>
10	Do you agree with the proposed enduring arrangements of 3 months' notice period for the tariff reset?	<input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No  <p>Our view is that the notice period proposed is too long. We have highlighted in workgroups that there have been single months where costs have been £100-200m higher than forecast. With a Working Capital Facility of £300m, it is possible to go from over-collection to exhausting available working capital within a few months and this proposal</p>



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		presents the risk of not being able to address a major shortfall before exhausting the Working Capital available to NESO.
11	Do you agree that the enduring arrangements of 3 months' notice period for tariff reset will benefit the non-domestic customer on pass-through contracts when compared to the baseline?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		This will depend on individual contract arrangements but yes we believe this will be a benefit for some non-domestic customers
12	Do consider that the proposed solution will expose NESO to further risks that cannot be reasonably managed?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		As detailed above, we believe that there is a risk of NESO not being able reset tariffs before exhausting all available working capital
13	Do you agree that the proposed solution will reduce the risk for Suppliers?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		It is clear that this proposal would reduce risk for suppliers by avoiding additional costs after prices have been set.