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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 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

Respondent details	Please enter your details	
Respondent name:	Pawel Czarnowski	
Company name:	ScottishPower	
Email address:	pczarnowski@scottishpower.com	
Phone number:	Click or tap here to enter text.	
Which best describes your organisation?	<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 checked="" type="checkbox"/> Supplier <input 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:		
		<table border="1"> <tr> <td>Original</td> <td> <input checked="" type="checkbox"/>d <input checked="" type="checkbox"/>e <input type="checkbox"/>f <input type="checkbox"/>g <input checked="" type="checkbox"/>h <input type="checkbox"/>None </td> </tr> </table>	Original	<input checked="" type="checkbox"/> d <input checked="" type="checkbox"/> e <input type="checkbox"/> f <input type="checkbox"/> g <input checked="" type="checkbox"/> h <input type="checkbox"/> None
		Original	<input checked="" type="checkbox"/> d <input checked="" type="checkbox"/> e <input type="checkbox"/> f <input type="checkbox"/> g <input checked="" type="checkbox"/> h <input type="checkbox"/> None	
<p>Yes, the original solution better facilitates objectives "d", "e", and "h".</p> <p>On "d", the original solution reduces the unpredictability around in-period Fixed BSUoS Price changes. The existing arrangements impede competition by exposing Suppliers to an unhedgeable risk that can only be addressed by adding risk premiums to customers on fixed-price contracts.</p> <p>On "e", the proposed changes produce charges that better reflect the underlying costs over time. The notice period aligns any revisions with the Price Cap timetable allowing costs to be passed through to customers in a transparent</p>				

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		<p>way, rather than being absorbed as unrecoverable losses by Suppliers.</p> <p>On “h”, by codifying a reset mechanism in the CUSC that defines information requirements and a fixed notice period, the original solution materially improves the efficiency and clarity of the BSUoS charging methodology.</p>
2	Do you support the proposed implementation approach?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Yes, we support the 24 July 2026 implementation date, and the use of a transitional two-month notice period for the October 2026 Price Cap. The transitional arrangement avoids leaving BSUoS Fixed Tariff 8 without the protection of the new mechanism at the time when, according to NESO’s own forecasts, a reset might be needed. Delaying the implementation until the January 2027 Price Cap would leave Suppliers and customers exposed during the period of high forecast risk. That would undermine the purpose of this modification.</p>
3	Do you have any other comments?	<p>First, we strongly support codifying the BSUoS reset mechanism. The current status quo “five Business Days” standard creates an unhedgeable risk for Suppliers. NESO has a Working Capital Facility designed to bridge timing differences but Suppliers have no</p>

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		<p>equivalent mechanism, and no true-up in the Price Cap once it is published. Any BSUoS tariff reset that falls outside the Price Cap setting window falls permanently on the Suppliers' Profit and Loss accounts. CMP474 addresses this structural defect.</p> <p>Second, we agree with the Workgroup's rationale behind the decision not to introduce a formal in-period reset mechanism for over-recovery. This could increase the volatility that this modification intends to reduce. However, transparent reporting of any over-recovery by NESO should be maintained.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<p><input type="checkbox"/> Yes (the request form can be found in the Workgroup Consultation Section here)</p> <p><input checked="" type="checkbox"/> No</p> <p>No, the Original Proposal addresses the problem appropriately.</p>
5	Does the draft legal text satisfy the intent of the modification?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Yes, subject to two points.</p> <p>First, the drafting of paragraph 14.31.17 retains the "reasonable endeavours" in relation to the consultation on the revised BSUoS price. We would suggest that the Workgroup confirm that</p>

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		<p>this wording cannot be interpreted as diluting the codified minimum notice period.</p> <p>Second, the two-month transitional notice period for revisions affecting Fixed Tariff 8 should be drafted with a sunset clause or an explicit one-off applicability to avoid the shorter notice period being applied in different circumstances that were not intended.</p>
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?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Yes, CMP474 is concerned with the process and notice period arrangements for resetting the fixed BSUoS tariffs; it does not affect the procurement or settlement of balancing services. CMP474 does not affect the terms and conditions under which balancing service providers operate.</p>

Specific Workgroup Consultation questions

7		<input checked="" type="checkbox"/> Yes
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	Do you agree with the proposed 50% threshold for the information notice?	<input type="checkbox"/> No Yes, a 50% threshold for the information notice provides early visibility of a deteriorating working capital position. This gives Suppliers a warning early enough to begin forecasting work, cost-recovery planning, and customer engagement.
8	Will publication the proposed information notice be helpful to industry?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Yes, the information specified in Paragraph 14.31.15 of the Legal Text provides Suppliers with inputs for calculating the impact of working capital deterioration on pricing well in advance of any reset decision. The requirement to re-publish monthly notices until the working capital utilisation threshold is no longer forecast to be exceeded gives Suppliers continuous visibility which is preferred to a single point-in-time notice.
9	Do you agree with the proposed Working Capital utilisation floor of 50% and 75%?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Yes, spreading the recovery of the Working Capital Facility across multiple periods is consistent with how BSUoS is designed to operate through the ordinary tariff cycle. This is a proportionate response to the Workgroup's concern that a one-period full restoration of the working capital would

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		create an excessive in-period shock on Suppliers and customers.
10	Do you agree with the proposed enduring arrangements of 3 months' notice period for the tariff reset?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>Yes.</p> <p>First, the 3-month minimum notice ahead of a Price Cap Period is sufficient to allow the revised price to be reflected in the next quarterly Price Cap.</p> <p>Second, we note the Proposer's observation that, ideally, the notice period would be longer than 3 months in order to accommodate non-domestic contracting arrangements. We support that view in principle but at the same time recognise that the 3-month minimum notice period represents a workable balance between protection of Suppliers and NESO's need to address a deteriorating working capital position. The 3-month notice period should be treated as a minimum, not a target.</p>
11	Do you agree that the enduring arrangements of 3 months' notice period for tariff reset will benefit the non-domestic customer	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>Yes. Non-domestic customers on pass-through contracts are arguably the most exposed customer group under the current arrangements. The existing 5 Business Day baseline gives</p>

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	on pass-through contracts when compared to the baseline?	Suppliers and customers effectively no time to plan or adjust budgets. A 3-month minimum notice period materially improves the ability of both Suppliers and pass-through customers to prepare for a BSUoS price revision, reducing market disruption.
12	Do consider that the proposed solution will expose NESO to further risks that cannot be reasonably managed?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>No. The proposed solution preserves NESO's discretion to choose when to reset tariffs, sets utilisation floors rather than targets, and does not cap the level of any individual reset. The Working Capital Facility was designed to bridge timing differences between cost incurred by NESO and their recovery, which is consistent with the purpose served by the 3-month minimum notice period.</p> <p>The modification does require NESO to act earlier on forecasts, but this is a reasonable governance requirement given the scale of risk currently transferred to Suppliers under the existing arrangements.</p>
13	Do you agree that the proposed solution will reduce the risk for Suppliers?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Yes, materially. Current arrangements expose Suppliers to a short-notice and unhedgeable risk that has no recovery mechanism once the Price</p>

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		Cap is set. The proposed solution reduces that risk by setting the information disclosure trigger, a minimum notice period, and working capital utilisation floors. Collectively, these proposed changes reduce the risk of unrecoverable costs and reduce the risk premiums that Suppliers have to build into customer pricing. The proposed solution does not eliminate Supplier risk, but it materially reduces it.
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