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# CUSC Workgroup Vote

## CMP474: Fixed BSUoS Price Revision Mechanism

**Please note:** To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

### Stage 1 – Alternative Vote

If Workgroup Alternative Requests have been made, vote on whether they should become Workgroup Alternative CUSC Modifications (WACMs).

### Stage 2 – Workgroup Vote

2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).

2b) Vote on which of the options is best.

## Terms used in this document

Term	Meaning
<b>Baseline</b>	The current CUSC (if voting for the Baseline, you believe no modification should be made)
<b>Original</b>	The solution which was firstly proposed by the Proposer of the modification
<b>WACM</b>	Workgroup Alternative CUSC Modification (an Alternative Solution which has been developed by the Workgroup)

## 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;*

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- 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.*

## Workgroup Vote

### Stage 1 – Alternative Vote

No Alternatives were raised for this modification.

### Stage 2a – Assessment against objectives

To assess the original and WACMs against the CUSC objectives compared to the baseline (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

ACO = Applicable CUSC Objective

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Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Gregory Edwards, Centrica					
<b>Original</b>	<b>Yes</b>	<b>Yes</b>	<b>-</b>	<b>-</b>	<b>Yes</b>	<b>Yes</b>

### Voting Statement:

Centrica supports the Proposal: it is informed by comprehensive (non-domestic) customer research and reflects the complexities of the retail market.

Firstly, in relation to ACO d, the Proposal is designed to foster greater competition in the retail market. It achieves this by reducing market distortions that stem from the current uncertainty and lack of transparency around the revision of the Fixed BSUoS Price. By clarifying when and how changes to the Fixed BSUoS Price might occur, inefficiencies are minimised—specifically, those that arise when Suppliers add risk premia to customer pricing to compensate for the possibility of a disorderly price revision. Furthermore, the Proposal enables Suppliers and relevant customers to better manage the adverse impact of market volatility on balancing costs and poor cost forecasts. This should result in a more robust and competitive environment for all participants.

With regard to ACO e, the Proposal ensures a more accurate reflection of costs by permitting cost recovery within the relevant price cap periods and provides timely mechanisms for other customer contracts. This more responsive approach to cost recovery allows pricing to better mirror actual market conditions, which benefits both Suppliers and customers.

For ACO h, the Proposal establishes a clear and transparent process for revising the Fixed BSUoS Price. The improvements introduced—such as increased transparency, better information provision, and a longer notice period—not only streamline the revision process but also reduce the resources that industry stakeholders currently need to dedicate to forecasting NESO's

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actions. Specifically, it will simplify efforts to anticipate when and how NESO might revise balancing costs or when the BSUoS Working Capital Facility could be depleted, as well as potentially determining the size of the Facility.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Andrew Green, Waters Wye					
<b>Original</b>	<b>Yes</b>	<b>Yes</b>	<b>-</b>	<b>-</b>	<b>Yes</b>	<b>Yes</b>

### Voting Statement:

I believe that the workgroup report is complete and accurately captures all the workgroup discussions and better facilitates applicable charging objectives (d) and (e). Providing a clear mechanism whereby NESO may revise the Fixed BSUOS Price during a period, will give suppliers more notice which will increase the likelihood that suppliers can correctly recover BSUOS costs. This will mean Domestic suppliers should be able to recover costs more efficiently through the Price Cap and it will reduce the likelihood of Non-Domestic Suppliers having to re-open fixed price contracts. It will also reduce the impact of any price shock in the Non-Domestic Market when unexpected costs are passed through to consumers. This modification should reduce uncertainty and cash-flow/credit risk for Suppliers and improve their ability to hedge and price more accurately.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Damian Clough, SSE					
<b>Original</b>	<b>Yes</b>	<b>No</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>Yes</b>

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**Voting Statement:**

(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; POSITIVE

Being able to include BSUoS costs in the Price Caps aids competition in the domestic supply market by keeping Suppliers whole and not letting it be dominated by Suppliers who could manage the cashflow risk. However, this is slightly offset by the negative impact on I&C Suppliers especially those without domestic customers who will be competing against Suppliers who have large amounts of their revenues protected from a domestic viewpoint which may mean they are able to use those revenues to gain a competitive advantage. The notice period may also lead to tariffs being opened more often as NESO won't have an opportunity closer to real time so may be more risk adverse.

(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); NEGATIVE

Ultimately NESO will require revenues to pay the BSUoS bills. There is danger by imposing a fixed and coded notice period that NESO will run out of funds. To combat that they may have to open tariffs more often to cover risk as opposed to an expected change in cost.

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Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Hugh Boyle, EDF Energy					
Original	Yes	-	-	-	Yes	Yes

### Voting Statement:

The solution has overall merit and is positive with regards to CUSC objectives d) and h). Although without complimentary changes it will be limited in its effectiveness.

Preventing NESO from re-opening BSUoS tariffs after a given notice period does provide some useful information to suppliers, potentially allowing a reduction/removal of risk premia in the future.

However, this is contingent on NESO having sufficient working capital available to ensure it can stand by the commitment to not re-open tariffs. Without sufficient funds, NESO may be forced to re-open BSUoS tariffs on relatively short notice regardless of the outcome of this modification or take other emergency measures.

This modification does not address working capital levels directly and work on this should be progressed urgently to allow this modification to work effectively. Otherwise, the benefits of the modification by itself will be largely symbolic. One option to explore is the creation of a 'BSUoS Fund' similarly to how the Contracts for Difference (CfD) scheme operates with a Total Reserve Amount (TRA).

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Karl Maryon, Drax					

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<b>Original</b>	<b>Yes</b>	-	-	-	<b>Yes</b>	<b>Yes</b>
<b>Voting Statement:</b>  <p>Strongly supportive. Firstly, it meets objective (h) Promoting efficiency. By detailing in the CUSC the steps and process by which NESO may reset the BSUoS tariff it promotes efficiency in the administration of charges.</p> <p>In addition, the change promotes objective (d) effective competition. By mitigating uncertainty this measure should have a positive impact on suppliers and the products and prices they offer to consumers.</p>						

<b>Workgroup Member</b>	<b>Better facilitates ACO (d)</b>	<b>Better facilitates ACO (e)</b>	<b>Better facilitates ACO (f)</b>	<b>Better facilitates ACO (g)</b>	<b>Better facilitates ACO (h)</b>	<b>Overall (Y/N)</b>
	Martin Cahill, NESEO					
<b>Original</b>	<b>Yes</b>	<b>No</b>	-	-	-	<b>No</b>
<b>Voting Statement:</b>  <p>NESO acknowledges the significant impact that a tariff reset could have on Suppliers and their customers, and the rationale for this proposal is completely understandable. These workgroups have also been incredibly useful to understand potential impacts in more detail, such as interaction with price cap periods and different contract types. Regardless of the outcome of this modification these details will all be carefully considered in our BSUoS processes to mitigate risk.</p> <p>We believe that the proposals to be able to revise either fixed tariff and/or recover to the relevant utilisation floor could both be beneficial given the additional flexibility they would provide for managing the Working Capital Facility.</p>						

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However, we believe that the minimum notice period is too long for us to be able to support this modification. The current 5 day notice period is intended as a worst-case scenario/backstop, and it is possible that available Working Capital could be exhausted in a shorter timeframe than the new minimum notice period proposed. Given this risk, we also believe that the likelihood of resetting a BSUoS tariff (which has not happened to date) would be more likely. We also believe that 50% threshold could result in a high number of notifications being sent to Industry. This could be counterproductive if notifications are submitted when there is no intention to actually reset tariffs.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	Pawel Czarnowski, ScottishPower					
<b>Original</b>	<b>Yes</b>	<b>Yes</b>	<b>-</b>	<b>-</b>	<b>Yes</b>	<b>Yes</b>

### Voting Statement:

Objective (d) – Better facilitated. The current five Business Day's notice creates an unhedgeable risk that pushes prudent suppliers to load risk premia into customer pricing. Codifying objective triggers and notice periods removes that barrier to effective competition in supply.

Objective (e) – Better facilitated. Aligning revisions with the price cap timetable allows underlying costs to be reflected in retail charges rather than absorbed as unrecoverable losses. The defined utilisation floors further support cost-reflectivity.

Objective (h) – Better facilitated. Replacing an undefined consultative process with codified criteria, a defined minimum information set and a fixed notice period improves administrative clarity for all parties. This benefits NESO and industry alike by removing ambiguity from the reset process.



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Objectives (f) and (g): Neutral – the modification does not engage these objectives.

Workgroup Member	Better facilitates ACO (d)	Better facilitates ACO (e)	Better facilitates ACO (f)	Better facilitates ACO (g)	Better facilitates ACO (h)	Overall (Y/N)
	William Cartwright, TotalEnergies					
Original	Yes	Yes	-	-	Yes	Yes
<b>Voting Statement:</b>  <p>Non commodity costs have been particularly high and volatile in recent years with new costs and increases to existing costs. BSUoS has been a in a better place due to the fixed tariffs published in advance, however the benefit provided by the published tariffs is reduced should there be short notice and significant increases to the rates. Minimal notice would lead to bill shocks for pass through customers and could lead to suppliers under recovering on fixed contracts. The premia on BSUoS rates that the fixed tariffs aimed to remove could be reintroduced to cover the risk of tariff resets mid period.</p> <p>While suppliers and customers can understand the need for price increases, the burden of short notice increases should not be immediately put through to suppliers and consumers. Increased notice, and limits on how much can additionally be collected will help in preparing customers for price increases and managing cashflows.</p>						

Of the 8 votes, how many voters said this option was better than the Baseline.

Option	Number of voters that voted this option as better than the Baseline
Original	7

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## Stage 2b – Workgroup Vote

Which option is the best? (Baseline, Proposer solution (Original Proposal))

Workgroup Member	Company	Industry Sector	BEST Option?	Which objective(s) does the change better facilitate? (if baseline not applicable)
Gregory Edwards	Centrica	Supplier	Original	d), e) and h)
Andrew Green	Waters Wye	Other	Original	d), e) and h)
Damian Glough	SSE	Generator	Original	d)
Hugh Boyle	EDF Energy	Supplier	Original	d) and h)
Karl Maryon	Drax	Supplier	Original	d) and h)
Martin Cahill	NESO	System Operator	Baseline	N/A
Pawel Czarnowski	ScottishPower	Supplier	Original	d), e) and h)
William Cartwright	Totalenergies	Supplier	Original	d), e) and h)