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Code Administrator 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 **29 June 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:	Jonathan Coe	
Company name:	OVO Energy	
Email address:	Jonathan.Coel@ovo.com	
Phone number:	N/A	
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

I wish my response to be:

(Please mark the relevant box)	<input checked="" type="checkbox"/> Non-Confidential (this <i>will be shared</i> with industry and the Panel for further consideration)
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	<input type="checkbox"/> Confidential (this will be disclosed to the Authority in full but, unless specified, <u>will not be shared</u> with the Panel or the industry for further consideration)
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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 question 4) 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.

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



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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 Code Administrator Consultation questions		
1	Please provide your assessment for the proposed solution against the Applicable Objectives against the current baseline.	Mark the Objectives which you believe the proposed solution better facilitates than the current baseline:
		Original <input checked="" type="checkbox"/> d <input type="checkbox"/> e <input type="checkbox"/> f <input type="checkbox"/> g <input checked="" type="checkbox"/> h <input type="checkbox"/> None
		<p>We believe that CMP474 will better facilitate Applicable Objectives (d) and (h).</p> <p>d) Facilitating effective competition in the generation and supply of electricity</p> <p>The current arrangements, whereby NESO can initiate a tariff revision with only 5 working days' notice, can expose suppliers to the significantly increased BSUoS costs, which cannot reasonably be foreseen and therefore cannot reasonably be factored into fixed tariff price setting. This creates a significant amount of uncertainty for suppliers, and can lead to inefficient outcomes for customers in terms of the risk premia that suppliers need to factor into tariff pricing to counter this uncertainty.</p> <p>The short notice period also creates a clear misalignment with the Default Tariff Cap timetable,</p>



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		<p>meaning that suppliers can face unrecoverable cost increases, with no true up mechanism to recover costs in later Price Cap periods.</p> <p>Introducing a mandatory 3-month notice period will ensure significantly better predictability on BSUoS costs, allowing suppliers to price tariffs competitively with greater confidence. It will also reduce the cash flow risk to suppliers, ensuring that any revisions to the Fixed BSUoS Price can be efficiently reflected in the Price Cap.</p> <p>We note the arguments raised by NESO regarding the challenges, from their perspective, with a longer notice period, and we accept that there may be a case for a more urgent process for revising the Fixed BSUoS Price in limited circumstances. However, this would need to be accompanied by an Ofgem commitment to allow a true-up of supplier costs in subsequent cap periods. Otherwise, the risk to suppliers, in terms of exposure to unrecoverable cost increases, would remain.</p> <p>h) Promoting efficiency in the implementation and administration of the system charging methodology</p> <p>We agree with the proposer that introducing a clear and formal mechanism to allow NESO to initiate a revision of the Fixed BSUoS Price will promote greater efficiency in the operation of the CUSC and will give greater confidence to CUSC Parties.</p> <p>Furthermore, we note that codifying a clear process for revision of the Fixed BSUoS Price will meet the expectations set out by Ofgem in their CMP415 decision.</p>
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2	Do you support the proposed implementation approach?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		<i>No further comment.</i>
3	Do you have any other comments?	No
4	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
		<i>No further comment.</i>

