

Public

## Workgroup Consultation Response Proforma

### CMP475: Amendment to the BSUoS tariff reset process

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>	Pawel Czarnowski	
<b>Company name:</b>	ScottishPower	
<b>Email address:</b>	<a href="mailto:pczarnowski@scottishpower.com">pczarnowski@scottishpower.com</a>	
<b>Phone number:</b>	Click or tap here to enter text.	
<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 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)

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

Public

☐ **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.

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

## Public

- 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

## Public

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 and/or any potential alternatives better facilitate the Applicable Objectives versus the current baseline?	Mark the Objectives which you believe each solution better facilitates than the current baseline:	
		Original	<input type="checkbox"/> d <input type="checkbox"/> e <input type="checkbox"/> f <input type="checkbox"/> g <input type="checkbox"/> h <input checked="" type="checkbox"/> None
		While we recognise the cash flow challenge faced by NESO, we do not consider that CMP475 as drafted better facilitates the Applicable Objectives than the baseline. The Original Proposal would permit NESO to recover the full Working Capital Facility deficit within a single Fixed Price Period with as little as five Business Days' notice. There is no limit on the size of the price revision and no defined notice period	

## Public

		aligned to the Price Cap setting window. Against objective “d”, this worsens rather than improves effective competition in electricity supply. A larger uplift delivered at potentially five days’ notice increases Supplier risk and is unhedgeable so Suppliers must price additional risk premiums into customer contracts. Against objective “e”, while the tariff may be more cost-reflective at the time of the reset, recovery “to zero or the amount deemed reasonable by The Company” (see: Paragraph 14.31.17 of the Legal Text) introduces discretion that does not produce predictable cost-reflective charges over time. The open-ended discretion is not acceptable to Suppliers and should be replaced with defined parameters.
2	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		We do not object to the implementation mechanics (limited IT changes, and implementation on 31 July 2026). Our concerns are with the contents of the solution rather than the implementation plan. We cannot support the solution in its current form because introducing an enlarged over-recovery mechanism on the existing five Business Days’ notice would expose Suppliers to a material and unrecoverable cost increase risk from the point of implementation.

## Public

3	Do you have any other comments?	<p>First, the top-up mechanism materially increases the size of an in-period uplift while the retained five Business Days' notice period all but guarantees that the uplift will not be reflected in the relevant Price Cap period. This likely translates into an unrecoverable financial loss for the Suppliers who have no BSUoS working capital facility of their own and no true-up in the Price Cap once it is set. The proposal improves NESO's cash flow position by transferring the risk onto Suppliers and, ultimately, customers.</p> <p>Second, we note that the Workgroup considered the inadequacy of the five Business Days' notice period but deferred it as a matter for "a separate modification". We do not accept that the notice period can be cleanly separated from this proposal: it is the notice period that determines whether the enlarged recovery under CMP475 is recoverable by Suppliers or not. The over-recovery mechanism and the notice period are two halves of the same question and should be addressed together.</p>
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<div> <input type="checkbox"/> Yes (the request form can be found in the <a href="#">Workgroup Consultation</a> Section)         </div> <div> <input checked="" type="checkbox"/> No         </div> <div>           No.         </div>

## Public

5	Does the draft legal text satisfy the intent of the modification?	<div data-bbox="624 421 708 528"> <input type="checkbox"/> Yes  <input checked="" type="checkbox"/> No         </div> <div data-bbox="624 618 1406 1402"> <p>First, the drafting of the fBSUoSTOP<sub>s</sub> term permits the recovery of the Working Capital Facility “back to zero or the amount that is deemed reasonable by The Company in accordance with Good Industry Practice”. This is open-ended. It places no objective parameter on the scale of over-recovery, which is not consistent with predictable and cost-reflective charging.</p> <p>Second, the legal text retains the five Business Days’ notice period while simultaneously enabling a larger top-up uplift. The drafting therefore enables enlarged recovery by NESO but provides no mechanism to ensure that it can be recovered by Suppliers.</p> </div>
6	Do you agree with the Workgroup’s assessment that the modification does not impact the Electricity Balancing Regulation (EBR) Article 18 terms and	<div data-bbox="624 1440 708 1547"> <input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No         </div> <div data-bbox="624 1671 1406 1919"> <p>Yes. We agree that the modification is concerned with revising the Fixed BSUoS Price and does not impact the EBR Article 18 terms and conditions held within the CUSC.</p> </div>

Public

	conditions held within the Code?	
--	----------------------------------	--

### Specific Workgroup Consultation questions

7	Do you agree with the ability for NESO to be able to make use of the proposed top up mechanism, to enable it to move the Working Capital Facility back towards neutral?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		<p>We recognise that returning the Working Capital Facility towards a neutral position has a genuine purpose and can reduce the frequency of repeated resets. However, we do not agree with the top-up mechanism as currently drafted for three reasons. First, there is no limit on the magnitude of recovery. Second, there is no notice period aligned to the Price Cap setting window. The five Business Day minimum notice period means that the reset will likely fall after a Price Cap has been set. Therefore, the price increase cannot be recovered from default-tariff customers, while there is no pass-through at all for customers on fixed contracts. Third, there is no requirement to spread recovery across periods, so the entire price reset can be compressed into a single period, maximising the in-period £/MWh impact on Suppliers and customers on pass-through contracts.</p>



## Public

8	In what circumstances would the above not be an appropriate approach?	<p>The top-up mechanism would not be an appropriate approach in the following circumstances:</p> <ul style="list-style-type: none"> <li>-Where it operates on a short notice. A top-up implemented on days' notice cannot be reflected in the Price Cap or recovered in fixed-price contracts, leaving Suppliers and customers on pass-through contracts to absorb the cost.</li> <li>-Where recovery is compressed into a single period. Returning the entire Working Capital Facility deficit to a neutral level within one Fixed Price Period produces a large in-period £/MWh shock for Suppliers and customers on pass-through contracts. Recovery across multiple periods, or through the ordinary BSUoS tariff-setting cycle is more appropriate and less disruptive.</li> <li>-Where the underlying issue is the size of the Working Capital Facility. If the Working Capital Facility is fundamentally too small, the appropriate solution is to resolve the facility's size and funding arrangements with Ofgem and DESNZ. Accelerating recovery from Suppliers, and ultimately, customers is not an appropriate substitute for correcting the size of the facility.</li> </ul>
---	---	---