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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 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:	James Knight	
Company name:	Centrica	
Email address:	James.knight3@centrica.com	
Phone number:	07557613126	
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)

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

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☐ **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:

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- 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

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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
		On balance, the Original Proposal does not better facilitate the Applicable Objectives relative to the current baseline. While the proposal is intended to give NESO a clearer route to reforecast fixed tariffs and restore the BSUoS Working Capital Facility towards a neutral position, in our view it weakens objectives d and h by broadening discretion to socialise short-	

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		<p>term forecasting error, increasing the likelihood of in-period volatility, and reducing predictability for suppliers and end consumers.</p> <p>No safeguards have been defined to ensure the mechanism would be used only where there is a clear and demonstrable need. Without tighter trigger criteria, stronger transparency requirements and clearer limits on when and how resets may occur, the modification could weaken incentives on forecasting, cost control and timely market communication, and may lead to abrupt corrections that are more difficult for market participants to manage than the current baseline.</p>
2	Do you support the proposed implementation approach?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>We do not support the proposed implementation approach as currently drafted, because the remaining uncertainty on governance, thresholds and notice arrangements is too material to justify introducing the mechanism in the near term. Given the potential for significant cash flow impacts and tariff volatility, market participants need much greater clarity on how any top up is calculated, what evidence will be published to</p>

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		justify its use, how frequently the mechanism may be invoked, and what protections exist to prevent repeated or avoidable resets. In our view, implementing the proposal before those safeguards are fully specified would risk undermining predictability and confidence in the charging framework.
3	Do you have any other comments?	<p>As a broader point, we encourage the Workgroup to reconsider whether this modification is the appropriate way to address genuine working capital stress without creating additional tariff instability for market participants.</p> <p>In our view, the current proposal places too much reliance on in-period intervention and not enough emphasis on preserving predictability, robust forecasting discipline and confidence for suppliers managing customer pricing and hedging decisions. If the issue is to be addressed through an enduring solution, that solution should first establish transparent trigger metrics linked to the financial position of the Working Capital Facility, a clear and tightly bounded methodology for calculating any top up or reset, timely publication of supporting</p>

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		<p>evidence, and a strong justification for why alternative mitigations are insufficient. Without those features, the modification risks becoming a routine balancing tool rather than a tightly controlled exception.</p> <p>We note that the original proposal refers to the concept of a Top-Up tariff. It is not clear how this will work in practice as the legal text does not refer to a new calculation to ascertain the tariff rate. A new tariff would significantly add to the cost of implementing this solution for the industry.</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)</p> <p><input checked="" type="checkbox"/> No</p>
5	Does the draft legal text satisfy the	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p>

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	intent of the modification?	<p>The draft legal text does not yet appear sufficiently precise to satisfy the intent of the modification in a way that is operationally clear and proportionate. Although it is intended to allow NESO to reopen the BSUoS tariff reset process and recover the financial position of the Working Capital Facility in response to wider market conditions, the drafting currently leaves too much ambiguity around the circumstances in which the mechanism may be triggered, the boundaries of NESO discretion, the data and evidence that will underpin any decision, and how market participants will be notified. In our view, that lack of precision creates material implementation risk and weakens transparency. Unless those areas are tightened materially, the legal text would not provide an adequate basis for a mechanism with potentially significant cost and volatility implications for suppliers and consumers.</p> <p>The legal text fails to address the expectation of Ofgem set out in the decision letter for CMP 408 and CMP 415 to incorporate details on a clear tariff reset mechanism. It also does not clarify how part 2 of the solution (creation of the concept of a “top-up” tariff) will operate in</p>
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		practice, as the legal does not mandate the creation of a separate tariff.
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 Based on the description of the proposal, we agree that the modification does not appear to directly amend or materially impact the EBR Article 18 terms and 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 NESO stated in its proposal form for CMP475 that the current arrangements may create a risk to security of supply because of restrictions on the replenishment of the BSUoS Working Capital Facility if the Fixed BSUoS Price is revised. It may be inferred that its concern also extends to any proposal that limits the degree to which NESO can replenish the BSUoS Working Capital Facility.
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		<p>view, the proposal does not yet contain adequately objective trigger criteria, clear enough limits on discretion, or sufficiently robust transparency requirements around the rationale, methodology and expected customer impact. Without those protections, there is a material risk of over-correction, avoidable tariff volatility and weakened incentives on forecasting and cost management. For those reasons, we consider the proposed top up mechanism to be inappropriate as currently designed.</p>
8	<p>In what circumstances would the above not be an appropriate approach?</p>	<p>This approach would be less appropriate where the need for a top up is driven primarily by issues that should be addressed through improved forecasting, governance or operational cost control rather than by genuinely exceptional or wider market conditions. It would also be inappropriate if the trigger for intervention is insufficiently defined, if the supporting evidence is not transparent, or if the resulting tariff impacts are sudden and disproportionate relative to the scale of the Working Capital Facility imbalance. In our view, the mechanism should not become a routine tool for managing normal forecasting error or short-term fluctuations. If used too frequently, or without clear parameters and notice, it could undermine market confidence, increase pricing uncertainty for suppliers and ultimately weaken incentives for efficient administration of BSUoS charges.</p>

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		<p>We do not see a circumstance where it be beneficial for the market to overpay beyond what is required to maintain the working capital facility. The costs to recover this deficit to the market (through suppliers) as a whole will be much greater than NESO continuing to fund the carry over through the working capital facility. We also note that this solution does not take into account the significant negative impact on suppliers from a short notice cost increase to pay back the working capital facility.</p>
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