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CUSC Modification Proposal Form																
<h1>CMP475:</h1> <h2>Amendment to the BSUoS tariff reset process</h2> <p>Overview: Amendment to the BSUoS Tariff Reset process as per CUSC. To enable NESO due to wider market conditions to reforecast the Fixed tariff Periods and if needed recover financial position of the Working Capital Fund.</p>		<h3>Modification process & timetable</h3> <table border="1"> <tr> <td>1</td> <td>Proposal Form 15 April 2026</td> </tr> <tr> <td>2</td> <td>Workgroup Consultation 29 May – 04 June 2026</td> </tr> <tr> <td>3</td> <td>Workgroup Report 23 June 2026</td> </tr> <tr> <td>4</td> <td>Code Administrator Consultation 29 June – 02 July 2026</td> </tr> <tr> <td>5</td> <td>Draft Final Modification Report 07 July 2026</td> </tr> <tr> <td>6</td> <td>Final Modification Report 10 July 2026</td> </tr> <tr> <td>7</td> <td>Implementation 01 August 2026</td> </tr> </table>	1	Proposal Form 15 April 2026	2	Workgroup Consultation 29 May – 04 June 2026	3	Workgroup Report 23 June 2026	4	Code Administrator Consultation 29 June – 02 July 2026	5	Draft Final Modification Report 07 July 2026	6	Final Modification Report 10 July 2026	7	Implementation 01 August 2026
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<p>Status summary: The Proposer has raised a modification and is seeking a decision from the Panel on the governance route to be taken.</p>																
<p>This modification is expected to have a: High impact This modification will impact anyone who is impacted by BSUoS, primarily Suppliers</p>																
<p>Proposer's recommendation of governance route Urgent modification to proceed under a timetable agreed by the Authority (with an Authority decision)</p>		<p>Modification Category CUSC Charging Objectives</p>														
<p>Who can I talk to about the change?</p>	<p>Proposer: Nick Everitt / Alex Curtis Nick.Everitt@neso.energy Alex.curtis@neso.energy</p>	<p>Code Administrator Contact: Cusc.team@neso.energy</p>														

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What is the issue?

One of NESO's roles is to maintain the National Electricity Transmission System (NETS) Security and Quality of Supply Standard (SQSS) standards and as such it needs to be able to take regular balancing actions to do this. NESO therefore must have adequate cash flows in order to procure services from market participants. NESO has a maximum available headroom of £300m in its Working Capital Fund (WCF) allocated to BSUoS.

CMP408¹ Allowing consideration of a different notice period for BSUoS tariff settings and CMP415² Amending the Fixed Price Period from 6 to 12 months amended the BSUoS process from 01 April 2025. The BSUoS tariff is now fixed for 12-months, with two seasonal tariffs (April – September and October – March) and that tariffs will be fixed with 3-months' notice. The volatility over the last 6 weeks has demonstrated that this methodology is no longer appropriate.

There is the option available to NESO for a tariff reset as drafted in CUSC S14.31. This applies to the current and published forecast tariff periods. However, this does not allow an over recovery, to enable the NESO Working Capital Fund (WCF) to be able to return to a cash neutral position (£0m). It only amends the forecast to hold the fund at whatever level it is at when the reset was triggered.

For example, if the WCF forecast (due to unforeseen changes in the market) moves to -£301m, NESO could trigger a reset to amend the BSUoS tariffs. In this case, the CUSC methodology would only allow NESO to recover the under recovery amount. This means that the Fund would remain at the same level as at the start of the Tariff period. This would not allow the WCF facility to be recovered back towards £0. Currently, the only way this can be achieved is when an updated set of tariffs come into effect.

If the market conditions, then change again, NESO could be forced to reset the tariff again.

¹ <https://www.neso.energy/industry-information/codes/cusc/modifications/cmp408-allowing-consideration-different-notice-period-bsuos-tariff-settings>

² <https://www.neso.energy/industry-information/codes/cusc/modifications/cmp415-amending-fixed-price-period-6-12-months>

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Why change?

The electricity market pricing in GB has become increasingly volatile due to the impact of global energy pricing. Consequently, NESO's balancing actions to manage the NETS have been more expensive than anticipated. We have seen a significant increase in balancing costs over the past 6 weeks due to the conflict in the Middle East. If this volatility continues, it may mean that NESO needs to be able to amend its BSUoS charges more frequently in order to maintain necessary cash flows.

What is the Proposer's solution?

NESO proposes to amend the CUSC legal text to:

- 1) Enable either or both Fixed Price Periods to be reopened so that the Fixed BSUoS price can be amended, where NESO is forecasting that the WCF will be exceeded in either Fixed Price Period.
- 2) Create a concept of a 'Top Up Tariff' or similar. This will allow NESO to start recovery of the WCF back towards a neutral position, if required.

We believe that this is a simple, but effective CUSC change to enable NESO to undertake a Tariff Reset and aid recovery of the WCF with the smallest amount of market disruption possible.

Draft legal text

CUSC Section 14.31.15 through to 18 would need to be reviewed and updated, as needed, to implement this proposal.

What is the impact of this change?

Proposer's assessment against CUSC Charging Objectives	
Relevant Objective	Identified impact
(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 The revised approach will ensure that the Tariffs are more closely aligned to electricity

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	market pricing. Ensuring that the Tariff is fair and realistic compared to the current market situation, unlike the current which could be 12+ months out of date. So making the next Tariff period potentially feel unrealistic if the market has fallen back again but NESO needs to try recover working capital.
(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);	Positive The proposal improves cost reflective charging due to the tariff being more reflective of the current market situation, rather than a significant lag.
(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*;	Neutral

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(g) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	Neutral
(h) Promoting efficiency in the implementation and administration of the system charging methodology.	Positive As stated above this will ensure that the Tariff is reflective of the current market situation rather than incurring a time lag.

* 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.

Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories

Stakeholder / consumer benefit categories	Identified impact
Improved safety and reliability of the system	Positive NESOs requirement to balance the system needs equivalent cash flow to do this, so needs realistic BSUoS tariffs to be set and if needed updated. So, ensuring safe secure operation of the NETS and the optimum cost is achieved.
Lower bills than would otherwise be the case	Neutral

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Benefits for society as a whole	Neutral
Reduced environmental damage	Neutral
Improved quality of service	Positive By the tariff being updated to be more cost reflective of the current situation, would mean that the accuracy of the charge will be significantly more reflective of the current market.

When will this change take place?

Implementation date: 01 August 2026

Date decision required by: 17 July 2026

Implementation approach

Limited IT changes are required prior to the implementation date.

Proposer's justification for governance route

Governance route: Urgent modification to proceed under a timeline agreed by the Authority (with an Authority Decision)

- (a) A significant commercial impact on parties, consumers or other stakeholder(s);

As stated above the costs of balancing actions being taken by NESO have become significantly more costly due to a significant ramp in electricity market costs. Therefore, putting the BSUoS WCF under pressure. If this were to happen then NESO could lose the ability to be able to effectively manage the NETS as it cannot pay for balancing actions, by market participants, so endangering security of the electricity system. The proposed solution will allow the situation to

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be managed as efficiently and effectively as possible but needs to be in place and available as soon as possible.

Interactions

☐ Grid Code ☐ BSC ☐ STC ☐ SQSS
☐ European ☐ EBR Article 18 ☐ Other ☒ Other
 Network Codes T&Cs¹ modifications

There could be an interaction with Suppliers licence requirements to recover and changes in BSUoS under the OFGEM price cap for consumers.

Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
BSUoS	Balancing Services Use of System
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Regulation
GC	Grid Code
NETS	National Electricity Transmission System
SQSS	Security and Quality of Supply Standards
STC	System Operator Transmission Owner Code
T&Cs	Terms and Conditions
WCF	Working Capital Fund

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Reference material

- None