

Public

## Code Administrator 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 **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](mailto:cusc.team@neso.energy).

Respondent details	Please enter your details	
<b>Respondent name:</b>	James Doig	
<b>Company name:</b>	E.ON UK	
<b>Email address:</b>	james.doig@eon-uk.com	
<b>Phone number:</b>	n/a	
<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)	<input checked="" type="checkbox"/> <b>Non-Confidential</b> ( <i>this will be shared with industry and the Panel for further consideration</i> )
	<input type="checkbox"/> <b>Confidential</b> ( <i>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</i> )

Public

**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 type="checkbox"/> d <input type="checkbox"/> e <input type="checkbox"/> f <input type="checkbox"/> g <input type="checkbox"/> h <input checked="" type="checkbox"/> None
		<p><b>E.ON recognises the importance of NESO maintaining sufficient cashflow</b> to fund efficient balancing activity and supports a robust framework for managing BSUoS volatility.</p> <p><b>However, we do not believe that CMP475, as drafted, is the right solution.</b> The proposal would address NESO's working capital exposure by transferring material volatility, forecast error, and timing risk to suppliers and consumers, without safeguards around notice, proportionality, recovery trajectory or consumer impact.</p> <p>In our view, that is not a balanced or efficient outcome, and the proposal does <u>not</u> better facilitate any of the Applicable Objectives than the current baseline. The Workgroup concluded by large majority that the Baseline better facilitated the Applicable Objectives than the proposal.</p> <p><b>The proposal assesses the impacts on the Applicable Objectives far too narrowly.</b> While it may improve NESO's short-term working capital position, it does so by creating wider market costs and risks that have not been adequately mitigated. In particular:</p>

Public

		<p><b>Objective d) Effective competition</b></p> <ul style="list-style-type: none"> <li>• <b>Negative impact.</b> A change in BSUoS tariff at short notice would most likely mean that suppliers would face <b>significant unrecoverable costs</b> due to commercial and regulatory arrangements. Domestic suppliers with default tariffs would be unable to increase their prices beyond the maximum charges defined by Ofgem in the Default Tariff Cap. Suppliers with fixed-price contracts, which cover most of the market, would be unable to recover the increased costs.</li> <li>• Such changes are unlikely to have been factored into Ofgem’s supplier financial resilience requirements<sup>1</sup> or into supplier capital planning. Hence, given the likely materiality of any change and its coincidence with other financial pressures, there could be <b>significant short-term resilience impacts</b> on some suppliers, with consequently negative impacts on effective competition and the ability of different business models to emerge. This is inconsistent with Ofgem’s broader objectives on financial resilience<sup>2</sup>.</li> <li>• The impact of the reset implied by the proposal is material. If NESO seeks to recover a forecast BSUoS cash shortfall of £754m<sup>3</sup> over six months (Oct’26–Mar’27), the indicative impact on suppliers would be potentially unrecoverable costs of c.<b>£6.03/MWh</b> or c.<b>£9.21 per typical domestic household</b>. This is equivalent to c.<b>175%</b></li> </ul>
--	--	--

## Public

		<p>of Ofgem’s most recently reported average dual-fuel EBIT per customer for 2025<sup>4</sup>.</p> <p><b>Objective e): Cost reflectivity</b></p> <ul style="list-style-type: none"> <li>• <b>Negative impact.</b> We do not question NESO’s right to recover efficiently incurred costs. But, CMP475 conflates NESO’s short-term cash recovery with economically efficient cost-reflective charge. A short notice, in-period tariff reset may make NESO’s cash position more current, but it does not mean cost are allocated in a way that can be efficiently reflected in customer bills. The proposal creates unrecoverable cost exposure rather than cost-reflective retail pricing. This uncertainty is likely to be priced into risk premia, increasing costs to consumers.</li> </ul> <p><b>Objective h): Promoting efficiency in implementation and administration</b></p> <ul style="list-style-type: none"> <li>• <b>Negative impact.</b> The Original Proposer’s assessment is that there are positive impacts from the BSUoS tariff being “reflective of the current market situation rather than incurring a time lag”. On the contrary, in terms of efficiency, this proposal weakens the incentives for accurate forecasting and efficient operation.</li> </ul>
--	--	---

<sup>1</sup> [Decision on introducing a minimum capital requirement and ringfencing customer credit balances by direction | Ofgem](#) (20 September 2023)

<sup>2</sup> [Markets Regulatory Strategy and Vision to 2030 | Ofgem](#) (November 2025)

<sup>3</sup> [CMP475 Workgroup 1 paper](#) (30 April 2026)

<sup>4</sup> [Supplier financial resilience report | Ofgem](#) (June 2026)

Public

		<ul style="list-style-type: none"> <li>• <b>The proposal reduces system efficiency, rather than improving it:</b> <ul style="list-style-type: none"> <li>○ NESO has the information, tools and system visibility to manage these risks.</li> <li>○ Suppliers do not, and must respond by applying risk premia or reducing competitiveness.</li> <li>○ This results in higher overall system costs for consumers.</li> </ul> </li> </ul> <p>More widely than the Applicable Objectives, we see the <b>consumer impact</b> as the most important consideration. The proposal introduces <b>unmanageable volatility for business consumers</b> on pass-through contracts, directly impacting their ability to grow the economy.</p>
2	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p><b>No, E.ON does not support implementation of CMP475 as drafted.</b> It does <u>not</u> better facilitate the Applicable Objectives and would create disproportionate supplier and customer risk.</p> <p>If GEMA nevertheless considers that some form of additional reset/top-up mechanism is necessary, then</p>

Public

		<p>implementation should be conditional on the following safeguards:</p> <ul style="list-style-type: none"> <li>• A <b>minimum 3-month notice period</b> for any material tariff adjustment (to align with the Default Tariff Cap);</li> <li>• Or if circumstances require more urgent action, where BSUoS tariffs are reopened within a cap period, there should be a <b>corresponding obligation on Ofgem to consider an in-period adjustment to the Default Tariff Cap.</b></li> <li>• We also recommend consideration of <b>partial recovery targets</b> (e.g., 50%) to smooth impacts.</li> </ul>
3	Do you have any other comments?	<p><b>Terms of Reference (ToR)</b></p> <p>The Final Modification Report records discussion of the trade-off between NESO and supplier cashflow risks (ToR item c), price cap interactions, and consumer bill impacts. In our view, the assessment remains insufficient, and it has not been translated into clear safeguards in the proposed solution.</p> <p><b>Legal drafting</b></p> <p>The legal text should:</p> <ul style="list-style-type: none"> <li>• Clearly define triggers for reopening tariffs and the methodology for top up calculation.</li> <li>• Include proportionality requirements and consumer impact considerations.</li> <li>• Avoid excessive discretionary interpretation.</li> </ul> <p>In particular, the proposed trigger based on there being “a risk” that NESO forecasts they will not recover</p>

Public

	<p>sufficient funds or hold sufficient funds is too broad unless accompanied by objective thresholds, evidence requirements and proportionality tests.</p> <p><b>Comparison with CMP474</b></p> <p>The Workgroup considered that there was some interaction with CMP474. Both address working capital utilisation but with different approaches.</p> <p><u>E.ON believes CMP474 offers a more balanced and predictable approach than CMP475.</u> Unlike CMP475's broad, discretionary trigger and five-day notice period, CMP474 develops a clearly codified process with defined trigger thresholds, transparency requirements, and longer notice periods for any BSUoS price changes. CMP474's structured mechanism is far more suitable because it mitigates unmanageable volatility, aligns better with price cap cycles and supplier pricing, and thereby better protects consumers and competition. In contrast, CMP475's flexibility for the ESO comes at the expense of significant uncertainty and unrecoverable costs for suppliers, ultimately harming consumers via higher risk premiums and reduced stability.</p> <p><b>Alternative mitigations</b></p> <p>We still believe that consideration should be given to alternative mitigations to some of the fundamental issues that the proposal seeks to address:</p> <ol style="list-style-type: none"> <li>1. Workgroup discussions highlighted that recent cost increases are driven not only by market volatility but also by changes in constraint modelling, timing of model updates relative to</li> </ol>
--	---

Public

		<p>tariff setting, and limited alignment between forecasting inputs and tariff setting. It is inappropriate for the consequences of such forecasting and modelling uncertainty to be transferred to consumers and suppliers through short-notice tariff changes.</p> <p>2. NESO should also consider whether the timing of internal costs, payments, accruals, and other cashflow levers can mitigate the impact of BSUoS on consumers.</p> <p>3. The Workgroup heard that NESO’s current £300m Working Capital Facility (WCF) is not statistically derived and may not reflect the scale of current or future BSUoS volatility. This could be re-evaluated considering the consumer interest.</p>
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
		n/a