

# CMP420: Treatment of BSUoS Revenue Recovery, and creation of a BSUoS Fund

**16 November 2023**

**Online Meeting via Teams**

# WELCOME





# Agenda

#	Topics to be discussed	Lead
1.	Introductions	Chair
2.	Code Modification Process Overview <ul style="list-style-type: none"><li>• Workgroup Responsibilities</li><li>• Workgroup Alternatives and Workgroup Vote</li></ul>	Chair
3.	Objectives and Timeline <ul style="list-style-type: none"><li>• Walk-through of the timeline for the modification</li></ul>	Chair
4.	Review and agree Terms of Reference	All
5.	Proposer Presentation and Questions	Proposer
6.	Cross Code Impacts	All
7.	Any Other Business	Chair
8.	Next Steps	Chair



# Modification Process

Jonathan Whitaker – ESO Code Administrator

# Code Modification Process Overview





## Refine solution Workgroups



- If the proposed solution requires further input from industry in order to develop the solution, a Workgroup will be set up.
- The Workgroup will:
  - further refine the solution, in their discussions and by holding a **Workgroup Consultation**
  - Consider other solutions, and may raise **Alternative Modifications** to be considered alongside the Original Modification
  - Have a **Workgroup Vote** so views of the Workgroup members can be expressed in the Workgroup Report which is presented to Panel



# Consult Code Administrator Consultation

- The Code Administrator runs a consultation on the **final solution(s)**, to gather final views from industry before a decision is made on the modification.
- After this, the modification report is voted on by Panel who also give their views on the solution.







# Decision



- Dependent on the Governance Route that was decided by Panel when the modification was raised
- **Standard Governance:** Ofgem makes the decision on whether or not the modification is implemented
- **Self-Governance:** Panel makes the decision on whether or not the modification is implemented
  - an appeals window is opened for 15 days following the Final Self Governance Modification Report being published





## Implement

- The Code Administrator implements the final change which was decided by the Panel / Ofgem on the agreed date.





# **Workgroup Responsibilities**

**Jonathan Whitaker – ESO Code Administrator**

## Expectations of a Workgroup Member

Contribute to the discussion

Be respectful of each other's opinions

Language and Conduct to be consistent with the values of equality and diversity

Do not share commercially sensitive information

Be prepared - Review Papers and Reports ahead of meetings

Complete actions in a timely manner

Keep to agreed scope

## Your Roles

Help refine/develop the solution(s)

Bring forward alternatives as early as possible

Vote on whether or not to proceed with requests for Alternatives

Vote on whether the solution(s) better facilitate the Code Objectives





# **Workgroup Alternatives and Workgroup Vote**

**Jonathan Whitaker – ESO Code Administrator**

# Can I vote? and What is the Alternative Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings

## Stage 1 – Alternative Vote

- Vote on whether Workgroup Alternative Requests should become Workgroup Alternative CUSC Modifications.
- The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.
- **Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the CUSC objectives than the Original then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative CUSC modification (WACM) and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.**

## Can I vote? and What is the Workgroup Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings

### Stage 2 – Workgroup Vote

- 2a) Assess the original and Workgroup Alternative (if there are any) against the relevant Applicable Objectives compared to the baseline (the current code)
- 2b) Vote on which of the options is best.





# Objectives and Timeline

Jonathan Whitaker – ESO Code Administrator

# Timeline for CMP420 as at 9 November 2023

Milestone	Date	Milestone	Date
Modification presented to Panel	29 September 2023	Code Administrator Consultation (15 working days)	26 March 2024 to 22 April 2024
Workgroup Nominations (15 Working Days)	04 October 2023 to 25 October 2023	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	23 May 2024
Workgroup 1 and 2 To discuss the defect, analysis required and begin refining the solution	16 November 2023 11 December 2023	Panel undertake DFMR recommendation vote	31 May 2024
Workgroup Consultation (15 working days)	15 December 2023 – 10 January 2024	Final Modification Report issued to Panel to check votes recorded correctly	04 June 2024
Workgroup 3 and 4 To review the Workgroup Consultation responses and to finalise the solution	30 January 2024 20 February 2024	Final Modification Report issued to Ofgem	12 June 2024
Workgroup report issued to Panel (5 working days)	14 March 2024	Ofgem decision	By 30 September 2024
Panel sign off that Workgroup Report has met its Terms of Reference	22 March 2024	Implementation Date	01 April 2025



# Terms of Reference

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# CMP420 - Terms of Reference

## Workgroup Terms of Reference

1.Consider EBR implications

2.Consider interactions with the FSO transition

3.Assess the consumer impacts of a creation of a 'BSUoS Fund', e.g. corporation tax

4.Consider the implications of a 'BSUoS Fund' on the connections

5.Consider interactions with previous Ofgem decisions and open letters relating to BSUoS



## Proposer's Solution

# CMP420

## TREATMENT OF BSUOS REVENUE RECOVERY AND CREATION OF A BUSOS FUND

SSE



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# || CURRENT DEFECT

*There is currently Industry uncertainty over BSUoS charges as the CUSC is silent, over; how Industry and the ESO are left whole when BSUoS revenues do not match BSUoS costs, how and when those differences will impact on future BSUoS Charges, and if all of any over recovery needs to be returned to Industry via a reduction in BSUoS charges at the very first opportunity, or can a proportion be retained for a longer period of time thus reducing the risk of the BSUoS Fixed Price being adjusted after being initially set and Fixed.*

- **The CUSC is silent over what to do with Over Recovery and when to return**
  - The ESO admittedly does produce a number of different forecasts indicating forecasted and actual over recovery and how and when this will be returned. However, there is no contractual certainty in terms of keeping whole
  - **For Under and Over Recovery no Interest is applied**
  - **Does all Over Recovery need to be returned at the first opportunity**

# FOR UNDER AND OVER RECOVERY NO INTEREST IS APPLIED

- For TNUoS differences in actual revenue recovered compared to forecast revenue recovered, is recovered in later years via a K factor.
- For BSUoS this flows through into charges via the adjustment  
*kbt = the amount included in the Fixed BSUoS Price for Fixed Price Period t, to account for any over or under recovery from previous Fixed Price Periods. For the first Fixed Price Period (t=0) this amount is zero*
- For TNUoS Over and Under Recovery is subject to Barclays Base Rate
- Should BSUoS Over and Under Recovery also be subject to Barclays Base Rate to align with TNUoS and other charges?
- What currently happens with over and under recovery?

## Does all Over Recovery need to be returned at the first opportunity

*kbt = the amount included in the Fixed BSUoS Price for Fixed Price Period  $t$ , to account for any over or under recovery from previous Fixed Price Periods. For the first Fixed Price Period ( $t=0$ ) this amount is zero*

- The key word is any. Does that mean all over recovery from a previous certain period or period(s), all actual and forecast.

*kbt = the amount included in the Fixed BSUoS Price for Fixed Price Period  $t$ , to account for any over or under recovery from previous Fixed Price Periods. For the first Fixed Price Period ( $t=0$ ) this amount is zero*

- Secondly can or should a proportion of Over Recovery purposely be withheld (but subject to interest) and not returned at the first opportunity, and therefore act as a 'BSUoS fund'. This question makes up the main crux of this modification



# **Solution**

- We are open ended about the solution and will listen to Industry feedback. We will not push for certain aspects if there does not appear to be the Industry appetite for change or if the defect is not there (for example with Interest)



# Cross Code Impacts

Jonathan Whitaker – ESO Code Administrator



## **Any Other Business**

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## Next Steps

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