

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

**11 December 2023 – Workgroup 2**  
**Online Meeting via Teams**

# WELCOME



# Agenda

#	Topics to be discussed	Lead
1.	Review and agree Timeline	Chair
2.	Review and agree Terms of Reference	Chair
3.	Review Actions	All
4.	Proposer Solution and discussion	Proposer
5.	ESO Presentation	ESO
6.	Any Other Business	Chair
7.	Next Steps	Chair



# Timeline

Jonathan Whitaker – ESO Code Administrator

# Timeline for CMP420 as at 4 December 2023

Milestone	Date	Milestone	Date
Modification presented to Panel	29 September 2023	Panel sign off that Workgroup Report has met its Terms of Reference	26 April 2024
Workgroup Nominations (15 Working Days)	04 October 2023 to 25 October 2023	Code Administrator Consultation (15 working days)	30 April 2024 to 21 May 2024
Workgroup 1 To discuss the defect, analysis required and begin refining the solution	16 November 2023	Draft Final Modification Report (DFMR) issued to Panel (5 working days)	20 June 2024
Workgroup 2 To discuss the proposal, analysis required and begin refining the solution	11 December 2023	Panel undertake DFMR recommendation vote	28 June 2024
Workgroup 3 To discuss the proposal, analysis required and begin refining the solution	09 January 2024	Final Modification Report issued to Panel to check votes recorded correctly	05 July 2024
Workgroup Consultation (15 working days)	12 January 2024 – 02 February 2024	Final Modification Report issued to Ofgem	15 July 2024
Workgroup 4 To review the Workgroup Consultation responses and to finalise the solution	20 February 2024	Ofgem decision	By 30 October 2024
Workgroup 5 To review the Workgroup Consultation responses and to finalise the solution	12 March 2024	Implementation Date	01 April 2025
Workgroup report issued to Panel (5 working days)	18 April 2024		



# Terms of Reference

Jonathan Whitaker – ESO Code Administrator

# 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.Assess the implications of interest being applied to over/under recovery

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



# Actions Review

## All

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
1	Workgroup 1	Chair	Amend timeline to run workgroup consultation after the Christmas period		Workgroup 2	In Progress
2	Workgroup 1	All	Consider the terms of reference		Workgroup 2	In Progress
3	Workgroup 1	Proposer	Present solution		Workgroup 2	In progress



## Proposer's Solution

## Amended Solution

- Following feedback such as;
  - a larger credit facility is being discussed with Treasury as part of the FSO
  - a BSUoS fund will currently be treated as 'profit' from a tax perspective
- We are therefore **not** seeking to include this in our proposed solution
  - this does not however mean that as an Industry Party we would not significantly value a BSUoS fund but due to timing etc it might not be appropriate to seek a fund at this current moment in time

# Amended Solution

- The solution will therefore codify how and when Over Recovery will be returned to Industry for example; all actual and forecasted over recovery up until the point x of which tariffs are levied will be included in total BSUoS costs for that same period x (something like that) and;
- Codify that Interest should be applied to both Over and Under Recovery



# ESO Slides

# Adding Interest to Fixed BSUoS Tariffs

There is a disconnect between the licence and the CUSC for interest on any over/under-collection arising from fixed BSUoS tariffs.

The licence **DOES** calculate interest  
CUSC **DOES NOT** calculate interest

As things stand therefore we face an interest charge which cannot be paid to anyone.

A new algebra term is required in CUSC to include this interest.

The licence calculates interest based on the result for a financial year, irrespective of how many tariffs may have been in force or what periods they covered. So if we over-recover for 6 months then under-recover for 6 months to bring us back to nil, no interest would apply. The licence rate of interest is the average rate of SONIA\* (for the measurement year, not the repayment year) plus 1.15%.

Under the current regime of 6 months' fixed with 9 months' notice, tariffs are set at the end of June and the end of December each year.

- At June, interest (for the 12 months to March just passed) will be fairly certain but not confirmed (confirmation will be in July as part of RRP). This tariff should therefore include a forecast of what we expect interest to be. Interest arose over a 12 month period so only half the calculated interest should be included in this tariff.
- The tariff being set in December can therefore include the other half of the interest plus a true up to the confirmed level.

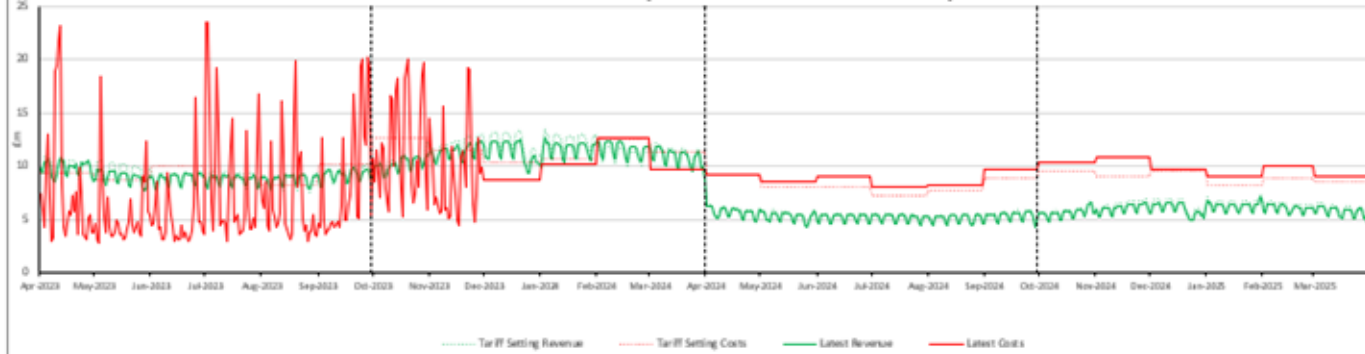
\* SONIA = Sterling Overnight Indexed Average

# BSUoS Fixed Tariff - Revenue v Costs

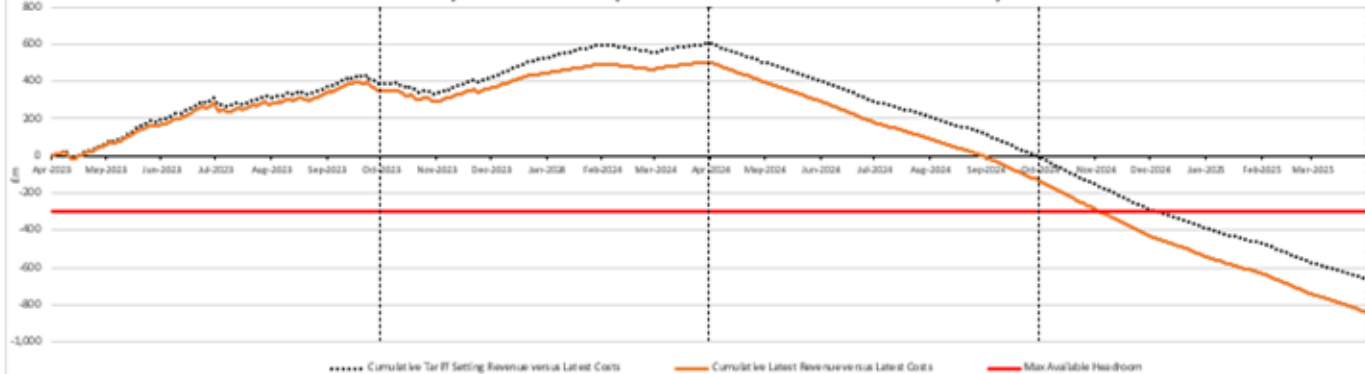
Today's Date	30/11/2023
Latest Revenue in Fixed Period to date	2,310,510,299
Latest Costs in Fixed Period to date	1,948,274,456
Over / (Under) Recovery to Date	362,235,843

Last date Control Room data available	29/11/2023
Last date II data entered	22/11/2023
Last date SF data entered	07/11/2023
Latest published forecast	December 23

Revenue and Costs (Current & Future Fixed Periods)



Over / Under Collection (Current & Future Fixed Periods - Cumulative)



Today  
30/11/2023

Forecast cash position at the  
end of fixed tariff 1

£351m

Change from Last  
Report ↓ -£1m  
Change from Tariff  
3 Setting ↓ -£153m

Forecast cash position at the  
end of fixed tariff 2

£502m

Change from Last  
Report ↑ £2m  
Change from Tariff  
3 Setting ↓ -£513m

Forecast cash position at the  
end of fixed tariff 3

-£134m

Change from Last  
Report ↑ £2m  
Change from Tariff  
3 Setting ↓ -£645m

Forecast cash position at the  
end of draft fixed tariff 4

-£840m

Change from Last  
Report ↑ £2m  
Change from Draft  
Tariff 4 Setting ↓ -£840m

As at last report  
23/11/2023

Forecast cash position at the  
end of fixed tariff 1

£352m

Forecast cash position at the  
end of fixed tariff 2

£500m

Forecast cash position at the  
end of fixed tariff 3

-£135m

Forecast cash position at the  
end of fixed tariff 4 (draft tariff)

-£841m

As of Fixed Tariff 3 setting  
22/06/2023

Forecast cash position at the  
end of fixed tariff 1

£504m

Forecast cash position at the  
end of fixed tariff 2

£1,015m

Forecast cash position at the  
end of fixed tariff 3

£511m

Forecast cash position at the  
end of fixed tariff 4 (draft tariff)

£0m



## **Any Other Business**

**Jonathan Whitaker – ESO Code Administrator**



## Next Steps

Jonathan Whitaker – ESO Code Administrator