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CUSC Modification Proposal Form

CMP453: To Bill BSUoS on a net basis at BSC Trading Units

Overview: The move to gross billing of BSUoS means that customers forming part of a BSC Trading Unit are paying BSUoS when the net flows at the point of connection are exports, so the customers are not using the system and should not pay BSUoS.

Modification process & timetable

1. **Proposal Form**
   30 April 2025
2. **Code Administrator Consultation**
   30 May 2025 - 23 June 2025
3. **Draft Final Modification Report**
   30 June 2025
4. **Final Modification Report**
   14 July 2025
5. **Implementation**
   01 April 2026

Status summary: The Proposer has raised a modification and is seeking a decision from the Panel on the governance route to be taken.

This modification is expected to have a: Medium impact
Suppliers and Directly connected transmission demand by altering the BSUoS liabilities between final demand but improving cost reflectivity.

Proposer's recommendation of governance route	Standard Governance modification to proceed to Code Administrator Consultation	
Who can I talk to about the change?	**Proposer:** Matthew Foster matthew.foster@tritonpower.co.uk Tel: 07549 026586	**Code Administrator Contact:** Catia Gomes catia.gomes@nationalenergyso.com

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What is the issue?

When Balancing Services Use of System (BSUoS) charging moved to being a gross charge it resulted in customers who are demonstrably not always causing balancing costs being incorrectly charged. The idea of a Trading Unit is that it recognises that where gencos and demand are co-located on the transmission system it is their net impact on the system that drives balancing costs. This is reflected for energy imbalance charges, but not BSUoS.

Why change?

It is not cost reflective to charge customers for energy balancing costs when they are not using the system and contributing to the cost drivers, i.e. they do not cause Balancing Services Activity as the generation meter next to their demand meter counter acts their impact on the system. In fact, it may be the case that the at that point of connection the site is providing ancillary services, as many have Mandatory Services Agreements (MSAs) given their size and technology types.

Without this change the customers will be forced to pay to rewire their connections putting them "behind the meter". While this would remove the BSUoS costs, it would create additional costs for no reason, as their impact on the total system will remain the same.

What is the Proposer's solution?

Where a demand Balancing Mechanism unit (BMU) forms part of a transmission connected Trading Unit, BSUoS will be billed on a net basis, i.e. when the site is importing it will pay BSUoS, but when it is exporting it will not.

Legal text

14.30.3 All Users excluding those Users with valid Declarations, Interconnectors and Virtual Lead Parties are liable for Balancing Services Use of System charges based on their Final Demand in each Settlement Day.

Where the BMU forms part of a transmission connected Trading Unit, BSUoS will be charged based on the net imports of the Trading Unit and not the BM Unit Metered Volume.

What is the impact of this change?

This change will improve the cost reflectivity of BSUoS charges by not charging points of connection where their net flows at that point are not contributing to system balancing costs. Their impact on the system of these sites is already recognised by the way energy imbalance charges are calculated under the Balancing Settlement Code (BSC).

By the few impacted sites paying less BSUoS, other customers will pay more. However, we believe the impact is minimal as many of the customers at these sites are EII (Energy Intensive Industries) and therefore face either no, or lower, BSUoS costs. However, for some industrial customers these can still be material, so it would be in the interests of industrial policy not to charge them for costs that they are not driving.

The proposer notes that there may be similar issues for Final Demand where it is collocated with generation at a Grid Supply Point (GSP) but registered into the SVA metering system. However, Supplier BMUs at GSPs are usually made up of multiple points of connection across a Distribution Network Operator (DNO) network. Each individual meter therefore does have an impact on balancing costs across the network as a whole. This modification is only seeking to remove BSUoS from sites where the meter is importing directly next to a generation meter, so it is not impacting the operation of the system.

Implementation should not be difficult as these sites used to be charged on a net basis. However, Ofgem's BSUoS Task Force took the view that the netting at all GSPs was incorrect as the DNO connected customers being netted off against generation at the Suppliers' BMUs was not cost reflective. The reality is those customers and generation are spread over the DNOs. As National Energy System Operator (NESO) balances for the whole system, with customers on the DNO networks taking, for example, reactive power, reserve and response, all purchased by NESO, this is a different "use of system" than those customers who are part of Trading Units, when the Trading Unit is exporting.

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	Positive This modification would improve competition by

consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;	correctly charging balancing costs to the parties responsible.
(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 system charging methodology works on the basis that charges should be cost reflective. This modification would improve cost reflectivity.
(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*;	Positive It will not benefit the total system if these customers choose to rewire their sites, making no difference to their system impact, but adding costs to British business.
(g) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	Neutral n/a
(h) Promoting efficiency in the implementation and administration of the system charging methodology.	Positive The improved cost reflectivity improves efficiency.

** See Electricity System Operator Licence*

***The Electricity Regulation referred to in objective (d) 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	**Neutral** n/a
Lower bills than would otherwise be the case	**Positive** It will lower the bills of large industrial customers who are currently being charged for costs they are not driving.
Benefits for society as a whole	**Positive** It is to the benefit of UK plc that industrial customers are correctly charged for the costs they are causing and that industrial users are not paying more for power than they need to.
Reduced environmental damage	**Positive** It would be of benefit to the environment if these customers do not use additional resources rewiring their sites to make their impact on the system better reflected in their charges.
Improved quality of service	**Neutral** n/a

When will this change take place?

Implementation date:

As soon as possible, but not later than 01 April 2026.

Date decision required by

By 30 September 2025.

Implementation approach

Changes to CUSC Section 14 (Charging Methodologies) and identification of impacted sites. As noted above, this is how these sites used to be charged, so once identified it should not be difficult to go back to this way of charging.

Proposer's justification for governance route

Governance route: Standard Governance modification to proceed to Code Administrator Consultation

Due to the need to give 6 months notice for any charging changes, this needs to follow an expedited timetable to relieve the impacted customers of this high costs from April 2026. We are therefore propose it goes straight to Code Administrator Consultation. This is relatively straight forward, so should not be delayed by prioritisation of other modifications. It is rare that modifications that specifically benefits customers, notably industrial customers, are raised. It would be at best unfortunate if the industry was seen to delay the development of such modifications.

Interactions

☐CUSC	☒BSC	☐STC	☐SQSS
☐European Network Codes	☐ EBR Article 18 T&Cs[1]	☐Other modifications	☐Other

Impacts with the BSC in so much as the BSC defines Trading Units.

Acronyms, key terms and reference material

Acronym / key term	Meaning
BMU	Balancing Mechanism Unit
BSC	Balancing and Settlement Code
BSUoS	Balancing Services Use of System
CUSC	Connection and Use of System Code
DNO	Distribution Network Operator
EBR	Electricity Balancing Regulation
EII	Energy Intensive Industries
GC	Grid Code
GSP	Grid Supply Point

MSAs	Mandatory Services Agreements
NESO	National Energy System Operator
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions