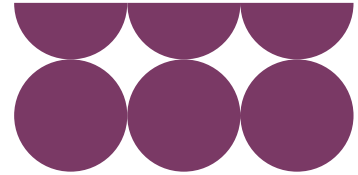


June 2025

Initial Forecast of BSUoS Tariffs for 2026/27

Fixed Tariff 7 (April 26 – September 26)

Fixed Tariff 8 (October 26 – March 27)



Executive Summary

Balancing Services Use of System (BSUoS) charges are recovered under a fixed tariff methodology. This report presents the Initial Forecast of BSUoS Tariffs for 2026/27. These tariffs will be further refined throughout the year, with Final Tariffs being set in December.

- Fixed Tariff 7 (April 2026 – September 2026) is forecast at £14.55/MWh.
- Fixed Tariff 8 (October 2026 – March 2027) is forecast at £11.03/MWh.

Initial Forecast of Fixed Tariffs 7 and 8

The Initial Forecast has been based on our balancing cost and volume forecast as at 12 June.

We are also forecasting to be over-recovered by £157m at the end of Fixed Tariff 6 (31 March 2026).

Therefore, we are including in the Initial Forecast a £157m negative adjustment across Fixed Tariffs 7 and 8, to return our forecast cumulative over-recovery at the end of Fixed Tariff 6 and achieve a cash neutral position at the end of Fixed Tariff 8 (31 March 2027).

Webinar – 10 July 2025

We will host a webinar on 10 July 2025 to present the Initial Forecast and answer any questions.

Please click the button below to register for the webinar.

[Register for the BSUoS Webinar](#)

Feedback

We welcome feedback on any aspect of this document and the tariff setting processes.

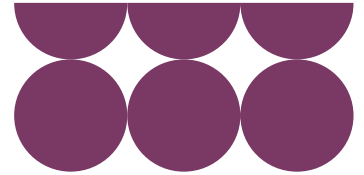
Following the implementation of CUSC modifications CMP408 and CMP415, we are keen to hear what you would like to see included within CUSC for the BSUoS tariff reset process.

We encourage all parties affected by the changes to the BSUoS charging regime to engage with us to flag any concerns and suggestions.

Please contact us if you have any further suggestions as to how we can better work with you to improve the BSUoS tariff forecasting process.

Our contact details:

Email: BSUoS.queries@neso.energy



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Background

The costs of balancing the system are influenced by many external factors, including wholesale market prices, weather conditions, and network outages, making them difficult to predict. In 2023, the Fixed BSUoS Tariff was introduced to minimise that volatility in BSUoS charging.

CMP361 introduced an ex-ante fixed volumetric BSUoS tariff set over a total fixed and notice period of 15 months, which was designed to deliver the recommendations of the Second BSUoS Task Force. The decision on implementing CMP361 was made by Ofgem on 15 December 2022. The decision was made to implement WACM3 (Workgroup Alternative CUSC Modification) from 1 April 2023. WACM3 fixed BSUoS for 6 months with 9 months' notice and defined that there would be no BSUoS fund to support the tariff.

The first six Fixed Tariffs were published under this methodology, with the most recent publication for Fixed Tariff 6 (October 25 – March 26), published in December 2024.

In October 2024, Ofgem approved CMP408 and CMP415 (WACM1). CMP408 changed the BSUoS notice period from its current 9 months to 3 months. CMP415 is a consequential modification for CMP408, which looked at a change to a definition in Section 11 Amending the Fixed Price Period from 6 months to 12 months.

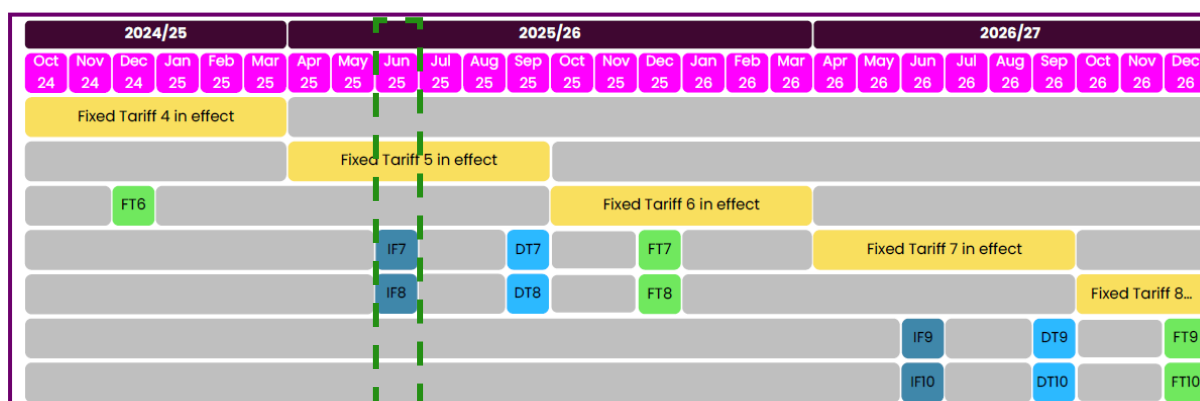
The 2026/27 tariffs (Fixed Tariffs 7 and 8) will be the first tariffs to be published under this new methodology.

BSUoS Timeline

Following the approval of CMP408 and CMP415 we have amended our Tariff Publication Timetable. Final Tariffs will be published in December each year. We have also committed to publishing an Initial Forecast each June, and Draft Tariffs each September.

This publication is the first Initial Forecast under the new CMP408 and CMP415 methodology and timeline, as shown in Figure 1 – BSUoS Tariff Publication Timetable.

Figure 1 – BSUoS Tariff Publication Timetable



Calculation and Inputs





Tariff Forecast Methodology

The forecasting model we have developed is used to determine balancing costs for the fixed tariff period ahead. The central forecast number determines the cost that goes into the tariff.

Before a tariff can be calculated, there are other non-balancing costs that need to be included. These are provided as a single central forecast only. Although these additional costs may vary, they fall outside the model's scope, as they are driven by external factors rather than model parameters.

The forecasts for these additional costs are added to the central forecast for the balancing costs to calculate the total BSUoS Costs. Total BSUoS Costs are then divided by the BSUoS volumes to get to the BSUoS tariff estimation for the fixed period.

The process described above is carried out for each 6-month period that a tariff is fixed over.

Initial Forecasts of Fixed Tariffs 7 and 8 are shown in Figure 2:

Figure 2 – Initial Forecast of Fixed Tariffs 7 and 8

| Financial Year 2026/27 – Fixed Tariff 7 – Initial Forecast | | | Financial Year 2026/27 – Fixed Tariff 8 – Initial Forecast | | |
|--|--|------------------|--|--|------------------|
| Fixed Tariff 7 Apr 26 – Sep 26 | Description | Initial Forecast | Fixed Tariff 8 Oct 26 – Mar 27 | Description | Initial Forecast |
| | Balancing Cost Forecast £m | 1379.1 | | Balancing Cost Forecast £m | 1238.5 |
| | Internal Costs £m | 421.9 | | Internal Costs £m | 419.6 |
| | Forecast over-recovery to the end of FT6, split between FT7 and FT8 £m | -78.8 | | Forecast over-recovery to the end of FT6, split between FT7 and FT8 £m | -78.4 |
| | CMP398 Costs £m | 7.3 | | CMP398 Costs £m | 7.3 |
| | RF Income Adjustment £m | -7.7 | | RF Income Adjustment £m | -7.7 |
| | Total BSUoS £m | 1721.8 | | Total BSUoS £m | 1579.4 |
| | BSUoS Volume Forecast TWh | 118.3 | | BSUoS Volume Forecast TWh | 143.2 |
| | BSUoS Tariff £/MWh | £14.55 | | BSUoS Tariff £/MWh | £11.03 |

Tariff Inputs

Balancing Costs

The largest portion of the costs to be recovered through the BSUoS charge are the costs to balance the system. These costs have increased over the last few years, with several factors contributing including the increased contribution of renewable generation, the changing nature of the generation mix, and rising constraint costs. More recently, wholesale electricity prices have contributed to this trend. These were initially affected by the war in Ukraine and are now influenced by wind output, inflation, and changing market behaviours.

In addition to being the largest component of the BSUoS cost and therefore biggest element of the tariff, the balancing costs are also the most difficult to forecast.



The balancing cost forecast was produced based on the average of the forward price curves derived between 3 June and 9 June 2025.

Since the publication of the Final Tariff 6, the balancing cost forecast has been updated to reflect evolving system conditions. For Fixed Tariff 7, forecast balancing costs are £1,379m, and for Fixed Tariff 8, £1,238.5m.

For further information on the methodology used in our model, please refer to the links to the BSUoS fixed tariff model consultation document in Appendix A of this document.

Internal Costs

Internal costs (allowed revenue) are calculated in the NESO Financial Model (NESO FM). For the Initial Forecast of Fixed Tariffs 7 and 8 we have assumed a continuation of the costs for 2025/26 (£841.5m), as 2026/27 falls outside the latest NESO FM publication.

As of June 2025, we do not have a firm view of future internal costs. However, work is ongoing within NESO to determine forecasts for future years.

We will update our forecast when further information becomes available, with Final Tariffs published in December reflecting the November 2025 NESO Financial Model.

For further information on the NESO FM process please visit the Regulatory Finance NESO webpage neso.energy/about/operational-information/regulatory-finance

Forecast Over / Under-Recovery Adjustment

With a BSUoS fixed tariff, the daily costs we incur to operate the transmission system are now detached from what we recover against the fixed tariff. This introduces the potential for both significant over and under-recovery of revenue versus costs. According to the legal text of CMP361, any under/over-recovery feeds into future fixed tariffs.

For the Initial Forecast of 2026/27 Fixed Tariffs, we have included a negative adjustment for our cumulative forecast over-recovery to the end of Fixed Tariff 6 within Fixed Tariffs 7 and 8.

At the point of tariff setting (12 June 2025), we are forecast to be £57m over-recovered by the end of Fixed Tariff 5 and £157m over-recovered by the end of Fixed Tariff 6. We are returning £78.8m in Fixed Tariff 7 and £78.4m in Fixed Tariff 8, to achieve a cash neutral position by the end of Fixed Tariff 8.

This is a change in our methodology from our previously published tariffs. For the first time, we are setting two six-month tariffs simultaneously. By adjusting for the cumulative over-recovery to the end of Fixed Tariff 8 proportionally across Fixed Tariffs 7 and 8, this approach allows for balanced reconciliation of any over/under-recovery across the financial year. Previously, adjustments caused volatility between Fixed Tariffs. By spreading adjustments equally, we aim to reduce large fluctuations within a financial year, while still adjusting for over/under-recovery within a timely manner.



A summary of the forecast over/under-recovery as of 12 June 2025, including the over/under recovery adjustments previously included in tariffs is shown below:

Table 1 – Forecast Cash Positions

| Fixed Tariff | Tariff Period Starting Cash Position (£m) | (Over)/Under Recovery Adjustment in Tariff (£m) | Tariff Period Over/(Under) Recovery (£m) | Tariff Period End Cash Position (£m) |
|--|--|--|---|---|
| Fixed Tariff 3 (Apr 24 – Sep 24) | 854.3 | (504.0) | 72.0 | 422.1 |
| Fixed Tariff 4 (Oct 24 – Mar 25) | 422.1 | (182.0) | 71.2 | 310.5 |
| Fixed Tariff 5* (Apr 25 – Sep 25) | 310.5 | (215.0) | (38.8) | 56.7 |
| Fixed Tariff 6* (Oct 25 – Mar 26) | 56.7 | 164.3 | (63.9) | 157.2 |
| Fixed Tariff 7* (Apr 26 – Sep 26) | 157.2 | (78.8) | 1.5 ¹ | 79.9 |
| Fixed Tariff 8* (Oct 26 – Mar 27) | 79.9 | (78.4) | 12.5 ¹ | 14.0 |

*Values for Fixed Tariff 5, Fixed Tariff 6, Fixed Tariff 7, and Fixed Tariff 8 are forecast as of 12 June 2025

Please note, our forecast cash position does not return exactly to zero at the end of Fixed Tariff 8. This is due to the balancing cost forecast used in the tariffs being a central 6-month forecast, whereas our comparative costs are forecast by individual month. The central 6-month forecast is not the same as the sum of the central cases across individual months.

Since the publication of Fixed Tariff 6 in December 2024, there have been changes to our forecast and outturn cash position.

For Fixed Tariff 4 (October 24 – March 25) our cumulative cash position out-turned at £311m, which is £86m above our forecast in December 2024. The final months of Fixed Tariff 4 out-turned below our forecast, with lower levels of constraint costs on the system. Additionally, BSUoS volumes out-turned higher than our forecast, increasing revenue collected.

For Fixed Tariff 5 (April 25 – September 25), our forecast cumulative cash position is £57m, £217m above our forecast in December 2024. Forecasts for the remainder of Fixed Tariff 5 have decreased, driven by a reduction in our wholesale market price forecast in the near term.

¹ £1.5m over-recovery in Final Tariff 7 and £12.5m over-recovery in Fixed Tariff 8 is the difference between the six-month balancing cost forecast used for tariff setting, and our July 2025 BSUoS forecast which is produced at a monthly granularity for costs.



For Fixed Tariff 6 (October 25 – March 26), our forecast cumulative cash position is £157m, £147m above our forecast in December 2024. This is the result of the cumulative changes seen in Fixed Tariffs 4 and 5, offset against a slight increase in the balancing cost forecast for the Fixed Tariff 6 period.

For further detail on our over-recovery position please visit our website: [Fixed Tariff Revenue vs Costs Report](#)

CMP398/412 – GC0156 Cost Recovery mechanism for CUSC Parties

This modification was necessary to implement Grid Code modification GC0156, which provides a cost recovery mechanism for CUSC parties without contracts with NESO to offer Restoration Services. The earliest claims submission month was September 2024, leading to monthly payments starting from April 2025. Since no claims were submitted within the September 2024 window, no payments are required for the 2025/26 year.

The latest forecast for the 2026/27 charging year is £14.6m, evenly distributed across Fixed Tariffs 7 and 8. This aligns with a total forecast of £48m covering the two-year period from April 2026 to March 2028.

However, since resilience reporting is a new requirement for generators, the need for compliance confirmation and the unpredictability of costs, there does remain the potential that generator costs will reach our original estimation of £85m.

The next claims window is September 2025, and we will provide an updated view of costs after this window closes.

For further details on the background and status of CMP398 please visit the webpage neso.energy/industry-information/codes/cusc/modifications/cmp398-gc0156-cost-recovery-mechanism-cusc-parties.

RF Income Repayment

We are including a £15m negative adjustment in respect of RF income from 2023/24 and 2024/25, to be returned across Fixed Tariffs 7 and 8.

BSUoS Chargeable Volume

From April 2023, the code modification CMP308 came into effect which moved the charging of BSUoS from generation and demand to “Final Demand” only. Final Demand is currently defined as electricity consumed other than for the purposes of generation or export onto the electricity network. The BSUoS chargeable volume has been estimated using a simple linear regression, with the NESO national demand forecast as the explanatory variable. The relationship is estimated using only BSUoS chargeable volume and national demand data from after April 2023.

Supporting Information





We would like to ensure that customers understand the current charging arrangements and the reasons why tariffs change. If you have specific queries on this publication, please contact us using the details below. Feedback on the content and format of this forecast is also welcome. We are particularly interested to hear how accessible you find the report and if it provides the right level of detail.

Forecast Webinar

On 10 July 2025 we will be running a webinar to discuss this BSUoS Tariff document and answer any questions you may have. You can register for the webinar below:

[Registration Link for BSUoS Webinar](#)

BSUoS Reporting

We are committed to providing industry with visibility of upcoming costs and the potential for tariff resets. To fulfil this commitment, we have been providing the following reporting:

1. Daily BSUoS costs, published as part of our web price reports.
2. Weekly reporting on current recovery values against fixed tariff forecasts, based on:
 - Actual BSUoS outturn costs (using the latest control room data, II and SF costs).
 - Actual BSUoS outturn volumes (using the latest of II and SF volumes).
 - Updated projections of cost and volume, based on the latest monthly forecast.
3. Monthly publications of balancing service forecast costs over a 2-year time horizon.
4. Monthly publications of BSUoS outturn costs and volumes compared to forecast, covering a rolling 12-month period. This includes both month-ahead and year-ahead forecasts, with commentary to explain key drivers behind the outturn.

If a tariff reset during a fixed period appears likely we will provide notice to the industry as soon as practicably possible via our usual communication channels.

Contact Us

Please subscribe to our mailing list to receive further updates about the BSUoS fixed tariff implementation and anything else BSUoS related if you are not already a subscriber.

[Click here to Join Our Mailing List.](#)

If you have any immediate questions about this publication or anything else BSUoS fixed tariff related, please contact us.

BSUoS.queries@neso.energy

Appendix A – Document Links





The methodology for charging BSUoS has undergone significant change over the past few years. Table 2 – Document Links provides links to key information, including consultations on BSUoS modelling, CUSC modifications and details of where to find further information on all things BSUoS.

Table 2 – Document Links

| | Description | Link/Source |
|-----------------------------------|--|---|
| Model Consultation Info. | BSUoS Fixed Tariff Model Consultation – June 2022 | https://www.neso.energy/document/262041/download |
| | BSUoS Fixed Tariff Model Consultation – Webinar Slides June 2022 | https://www.neso.energy/document/262326/download |
| | BSUoS Fixed Tariff Model Consultation – Webinar Q&A June 2022 | https://www.neso.energy/document/262531/download |
| | BSUoS Fixed Tariff Model Consultation – Webinar Recording | https://players.brightcove.net/867903724001/default_default/index.html?videoId=6308766047112 |
| | BSUoS Fixed Tariff Model Consultation 2 – Webinar Slides August 2022 | https://www.neso.energy/document/265571/download |
| | Latest Updates: BSUoS Fixed Tariff 6 Publication (Published on 20 December 2024) | https://www.neso.energy/document/350411/download |
| | Latest Updates: BSUoS Fixed Tariff 6 Webinar and Q&A FT6 (Published on 03 February 2025) | https://www.neso.energy/document/353156/download https://www.neso.energy/document/353121/download |
| Model Inputs | Plexos constraint forecast | https://www.neso.energy/data-portal/24-months-ahead-constraint-cost-forecast |
| | Historic daily balancing costs | https://www.neso.energy/data-portal/daily-balancing-costs-balancing-services-use-system |
| | Future energy scenarios | https://www.neso.energy/publications/future-energy-scenarios-fes |
| | Weather data | https://gmao.gsfc.nasa.gov/reanalysis/MERRA-2/ |
| CMP361, CMP362, CMP408 and CMP415 | CMP361 and CMP362 Final Modification Report (8 March 2022) | https://www.neso.energy/document/246486/download |
| | Ofgem’s minded-to decision: CMP361 and CMP362 (21 September 2022) | https://www.ofgem.gov.uk/sites/default/files/2022-09/CMP361 Minded-to final PDF – Publication.pdf |
| | Ofgem’s final decision: CMP361 and CMP362 (15 December 2022) | https://www.ofgem.gov.uk/publications/cmp361-and-cmp362-decision |
| | CMP361 and CMP362 Modification Web Page | https://www.neso.energy/industry-information/codes/cusc/modifications/cmp361-cmp362-bsuos-reform-introduction-ex-ante-fixed-bsuos-tariff-consequential-definition-updates |



| | Description | Link/Source |
|------------------|--|---|
| | CMP408 Final Modification Report (13 October 2023) | https://www.neso.energy/document/290096/download |
| | Ofgem's decision letter: CMP408 (30 October 2024) | https://www.neso.energy/document/346511/download |
| | | |
| | CMP408 Modification Web Page | https://www.neso.energy/industry-information/codes/cusc/modifications/cmp408-allowing-consideration-different-notice-period-bsuos-tariff-settings |
| | CMP415 Final Modification Report (21 September 2023) | https://www.neso.energy/document/288861/download |
| | Ofgem's final decision: CMP415 (30 October 2024) | https://www.neso.energy/document/346516/download |
| | CMP415 Modification Web Page | https://www.neso.energy/industry-information/codes/cusc/modifications/cmp415-amending-fixed-price-period-6-12-months |
| Cost Info. | NESO FM / Regulatory Finance NESO webpage | https://www.neso.energy/about/operational-information/regulatory-finance |
| | NESO BP2 Webpage | https://www.neso.energy/about/strategic-priorities/our-riio-2-business-plan |
| | Final BP2 Delivery Plan 2023–2025 | https://www.neso.energy/document/266156/download |
| | BP2 Executive Summary | https://www.neso.energy/document/266151/download |
| General | NESO Main BSUoS Webpage | https://www.neso.energy/industry-information/charging/balancing-services-use-system-bsuos-charges |
| | NESO BSUoS Queries Email | BSUoS.queries@neso.energy |
| | Join the NESO BSUoS Mailing List | https://neso.createsend.com/h/d/918820CF9659BD06 |
| FSO Consultation | OFGEM FSO Funding Decision | https://www.ofgem.gov.uk/decision/decision-funding-transition-future-system-operator |

Appendix B – Summary of CUSC Modifications Affecting BSUoS Tariffs





Table 3 – Summary of CUSC Modifications Affecting BSUoS Tariffs

| Name | Title | Status | Effect of change |
|-------------------------------|---|--|--|
| <u>CMP398</u> | GC0156 Cost Recovery mechanism for CUSC Parties (see also consequential CMP412) | Implemented. The Authority approved Workgroup Alternative CUSC Modification Proposal (WACMI) on 29 February 2024 and this was implemented on 14 March 2024. | This modification was required to implement Grid Code Mod 0156 by providing a cost recovery mechanism for CUSC parties who do not hold contracts with NESO (formerly ESO) to provide Restoration Services. The first claims submission window was September 2024, which looked to put in place monthly repayments from April 2025. |
| <u>CMP408</u> | Allowing consideration of a different notice period for BSUoS tariff settings | On 30 October 2024, the Authority approved the Original solution with an implementation date of 1 April 2025. | This modification introduces a 3-month notice period (changed from the current 9 months). Please refer to new 2025 timetable in this report, which reflects the implementation of the 3-month notice period. |
| <u>CMP412</u> | CMP398 Consequential Charging Modification | The Authority approved the Original solution on 29 February 2024, and this was implemented on 14 March 2024. | Facilitates the implementation of CMP398, reflected within CUSC Section 14 (BSUoS), to ensure that any validated costs arising from CMP398 solution are recovered (as happens today with black start costs via BSUoS) |
| <u>CMP415</u> | Amending the Fixed Price Period from 6 to 12 months | On 30 October 2024, the Authority approved WACMI with an implementation date of 1 April 2025 | This modification is a consequential modification to CMP408, which looks at a change to a definition in Section 11. The change extends the fixed period to 12 months. Combined with approval of CMP408, this creates a combined period length of 15-month framework (as aligned to BSUoS Task Force recommendations). Please refer to new 2025 timetable in this report which reflects the implementation of both CMP408 and CMP415. |



| Name | Title | Status | Effect of change |
|-------------------------------|--|--|--|
| <u>CMP420</u> | Treatment of BSUoS Revenue Recovery and creation of a BSUoS Fund | Withdrawn by the proposer. The CUSC Panel agreed to the withdrawal of the modification (at the May 2024 Panel meeting under CUSC 8.16.10(c)) | This modification has been withdrawn. This modification aimed to codify over and under-recovery in terms of when this will be returned to or recovered from Industry including any inflation applied to the over or under-recovery amounts |
| <u>CMP453</u> | To Bill BSUoS on a net basis at BSC Trading Units | This is a Current Proposal . Raised on 30 April 2025 and presented to CUSC Panel on 23 May 2025. The modification will follow the Standard governance route and proceed to a Workgroup. | Following the implementation of gross billing for BSUoS, customers who are part of a BSC Trading Unit are required to pay BSUoS even when the net flows at the point of connection are exports. This modification seeks to remove the requirement for these customers to pay BSUoS when they are not using the system. |

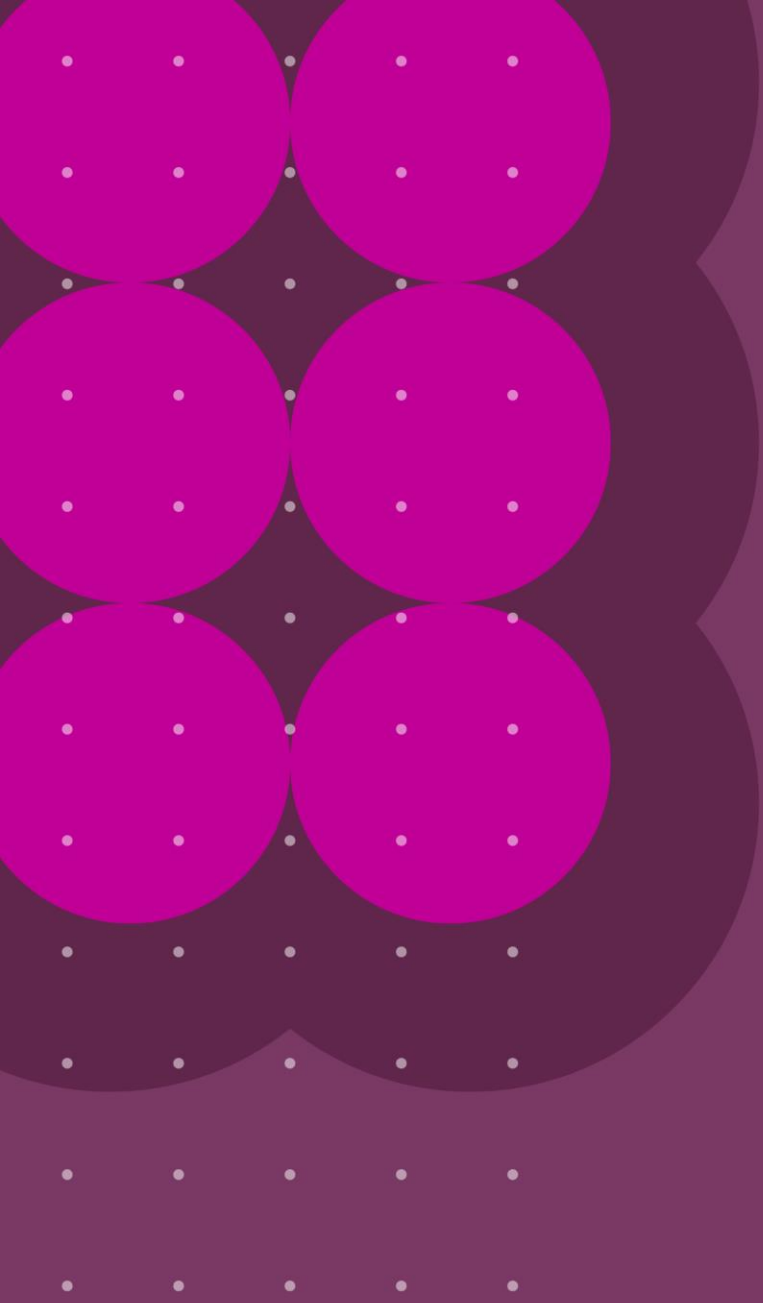
Appendix C – Document Revision History





Document Revision History

| Version Number | Date of Issue | Notes |
|----------------|---------------|--|
| 1.0 | 27 June 2025 | Publication of Initial Forecast of BSUoS Tariffs for 2026/27 (Fixed Tariffs 7 and 8) |



National Energy System Operator
Faraday House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

BSUoS.queries@neso.energy

www.neso.energy

