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Workgroup Consultation Response Proforma

CMP453: BSUoS on a net basis at BSC Trading Units

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 by **5pm** on **04 August 2025**. 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 prisca.evans@neso.energy or to cusc.team@neso.energy.

Respondent details	Please enter your details	
Respondent name:	Andrew Dudkowsky	
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Which best describes your organisation?	<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 type="checkbox"/> Supplier <input checked="" type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

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I wish my response to be:

(Please mark the relevant box)

☒ **Non-Confidential** (*this will be shared with industry and the Panel for further consideration*)

☐ **Confidential** (*this will be disclosed to the Authority in full but, unless specified, will not be shared with the Workgroup, Panel or the industry for further consideration*)

For reference the Applicable CUSC (charging) Objectives are:

- 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 consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;*
- 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);*
- 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*;*
- g) *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and*
- h) *Promoting efficiency in the implementation and administration of the system charging methodology.*

* See Electricity System Operator Licence

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***The Electricity Regulation referred to in objective (g) 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.*

For reference, the Electricity Balancing Regulation (EBR) Article 3 Objectives and regulatory aspects are:

- a) fostering effective competition, non-discrimination and transparency in balancing markets;*
- b) enhancing efficiency of balancing as well as efficiency of national balancing markets;*
- c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;*
- d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;*
- e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue market distortions;*
- f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;*
- g) facilitating the participation of renewable energy sources and supporting the achievement of any target specified in an enactment for the share of energy from renewable sources.*

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What is the EBR?

The Electricity Balancing Regulation (EBR) is a European Network Code introduced by the Third Energy Package European legislation in late 2017.

The EBR regulation lays down the rules for the integration of balancing markets in Europe, with the objectives of enhancing Europe's security of supply. The EBR aims to do this through harmonisation of electricity balancing rules and facilitating the exchange of balancing resources between European Transmission System Operators (TSOs). Article 18 of the EBR states that TSOs such as the NESO should have terms and conditions developed for balancing services, which are submitted and approved by Ofgem.

Please express your views in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions

1	Do you believe that the Original Proposal better facilitates the Applicable Objectives versus 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
		In later sections of this document I will argue that this modification does not support objectives d) and e) and is neutral on objectives f), g) and h).
2		<input checked="" type="checkbox"/> Yes

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	Do you support the proposed implementation approach?	<input type="checkbox"/> No <p>This modification requires changes to NESO's Revenue systems to re-introduce Trading Unit functionality. The proposed implementation date is April 2026. To achieve this deadline NESO will need this modification approved by circa mid Sept 2025 to allow sufficient time to build the solution into NESO systems. Any extension beyond that timeline puts an April 2026 implementation date at significant risk.</p>
3	Do you have any other comments?	None
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes (the request form can be found in the <u>Workgroup Consultation</u> Section) <input checked="" type="checkbox"/> No <p>Click or tap here to enter text.</p>
5	Does the draft legal text satisfy the intent of the modification?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>The workgroup discussed the legal text and how the BSUoS charge would be allocated to BMUs. There was a suggestion that BSUoS could be allocated to the Trading Unit and the Trading Unit then allocates this across BMUs based on internal commercial arrangements. This is not how BSUoS</p>

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	<p>is currently allocated to BMUs and would represent a fundamental change to the currently charging principles.</p> <p>BSUoS is assigned to final demand BMUs (and not the Trading Unit) based on gross metered consumption. The revised Legal Text proposes where there is one final demand BMU within the Trading Unit, the net final demand is assigned to that BMU. Where there is more than one final demand BMU within a Trading Unit the net final demand is assigned to final demand BMUs based on the ratio of their respective gross final demand during every 30-minute period.</p> <p>For example, assume two final demand BMUs, BMU X and BMU Y. Assume in each 30-minute period BMU X is consuming 20 MW and BMU Y is consuming 30MW and the net final demand for the Trading Unit is 10MW.</p> <p>Under existing rules, the BSUoS charge for BMU X would be based on 20MW demand, and BMU Y 30MW. If this modification is implemented, BMU X and Y would be charged $(20/50)*10\text{MW}$ (4MW) and $(30/50)*10\text{MW}$ (6MW) respectively.</p> <p>Note this modification is in development. There is a risk that the legal text may again change depending on subsequent workgroup discussions.</p>
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6	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

Specific Workgroup Consultation questions

7	Do you agree that this modification has no impact on competition in generation?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		CMP453 will result in the Trading Unit receiving a financial benefit equal to the value of the BSUoS saving. This creates a barrier to entry to other, more efficient (and therefore lower cost) generators which prevents them from supplying energy to that Trading Unit, unless that generator can supply electricity at a level that is at least

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		<p>equal to the value of the benefit. This is similar in impact to the 'embedded benefit' that CMP308 removed.</p> <p>This modification would see less efficient generation remaining on the transmission network for longer than economically efficient and will create a barrier for more efficient generation to supply that Trading Unit.</p> <p>I acknowledge that there may be non-price related reasons why the Trading Unit may not want to contract with the lowest priced generator. The decision with whom to contract will be based on financial and non-financial factors. But we must not overlook the fact that this modification will distort those financial factors by creating a barrier to entry for generation outside of the Trading Unit.</p>
8	Do you believe there is a risk that implementing this modification will create an incentive that others could use to reduce BSUoS (and therefore impose more BSUoS on a smaller group of payees) ?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>This modification does not introduce efficiency that reduces the total industry BSUoS charge. This modification will shift the BSUoS burden onto fewer participants. There is a clear financial incentive for existing and new assets to form Trading Units to benefit from this proposal.</p> <p>The work group presented the argument that existing signals will have incentivised the creation of Trading Units, and this modification is unlikely to see the formation of any new Trading Units. I disagree with that argument. The electricity</p>

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		<p>industry is dynamic and forever changing. This modification will only create a stronger financial signal to form a Trading Unit.</p> <p>This modification creates a precedent, and we should also expect further modifications to argue why various sections of the industry should avoid BSUoS. We need to ensure this modification does not impose the BSUoS burden onto those who are least able to avoid it. This is not transparent and equitable and does not give the best outcomes to customers.</p>
9	<p>How to better define who is eligible for this functionality. Do you prefer:</p> <p>a) Any trading unit defined as a class 1-3 or a class 6 trading unit.</p> <p>Or</p> <p>b) Any trading unit that shares the same connection point?</p>	<p><input type="checkbox"/>A</p> <p><input checked="" type="checkbox"/>B</p> <p>I recognise the benefit of local balancing service to alleviate grid constraints; however, this requires generation and supply need to be co-located. This is central to the argument presented in this modification.</p> <p>Definition a) includes class 6 Trading Units. The BSC defines these as any Trading Unit that do not fit into the criteria for classes 1-5. This definition is ambiguous and does not enforce the requirement that Trading Units must be co-located. One cannot therefore assume that Trading Units will be co-located. Therefore, definition a) does not</p>

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		<p>appropriately define who should be eligible for this benefit.</p> <p>Option b) defines the eligibility for this BSUoS saving as being based on assets which form a Trading Unit <u>and</u> are co-located by virtue of having the same connection point. This is a better definition for the eligibility criteria.</p>
10	Do you agree that the modification results in more cost reflective charging of BSUoS for customers who do not use the Total System by virtue of their connection agreement?	<p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>I have interpreted the term 'cost reflective' to mean those that generate a cost should incur that cost, and that they are able to modify their behaviour to reduce that cost.</p> <p>The report of the first BSUoS task force, and Ofgem's stance in its written response, acknowledged that BSUoS is not cost reflective, but is a cost-recovery charge, which was then endorsed in the CMP308 decision document. Those that generate the cost are not those that have the cost imposed on them. This is particularly the case for generators who are exempt from paying BSUoS.</p> <p>We also need to acknowledge that regardless of whether a BMU is using the transmission network, if</p>

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		<p>the BMU is connected to the transmission network, then that BMU benefits from the network being stable and energised. It is correct then that the BMU pays for that benefit.</p> <p>To now suggest that BSUoS might be made more cost reflective contradicts the decision from the TCR and undermines the entire principle that BSUoS is <u>not</u> cost reflective. This will only encourage other industry participants to argue that their exposure to BSUoS is similarly cost reflective and they should be eligible to avoid BSUoS. We need to ensure that that TCR decision is not eroded by a series of modifications over a period of years which means that the original decision is meaningless.</p> <p>If this modification is approved it needs to ensure that the scope of the beneficiaries is well defined and known and locked down to avoid BSUoS slowly being imposed on a dwindling number of customers who are least able to avoid the BSUoS burden.</p>
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