



## **Executive Summary**

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

- Draft Tariff 7 (April 2026 September 2026) is £14.21/MWh
- Draft Tariff 8 (October 2026 March 2027) is £11.93/MWh.

#### **Draft Tariffs 7 and 8**

The Draft Tariffs have been based on our balancing cost and volume forecast as of 29 September 2025.

We are also forecasting to be overrecovered by £117m at the end of Fixed Tariff 6 (31 March 2026).

Therefore, we are including in the Draft Forecast a £117m negative adjustment across Fixed Tariffs 7 and 8, to return our updated forecast cumulative overrecovery at the end of Fixed Tariff 6 and achieve a cash neutral position at the end of Fixed Tariff 8 (31 March 2027).

Compared to Initial Forecast, Draft Tariff 7 has decreased by £0.34/MWh, and Tariff 8 has increased by £0.90/MWh.

#### Webinar - 14 October

We will host a webinar on 14 October to present the Draft Tariffs 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 Final Tariff publication for Fixed Tariff 6 (October 25 – March 26), published in December 2024.

In October 2024, Ofgem approved CMP408 and CMP415 (WACMI). 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) are 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 Draft Tariff under the new CMP408 and CMP415 methodology and timeline, as shown in Figure 1 - BSUoS Tariff Publication Timetable.

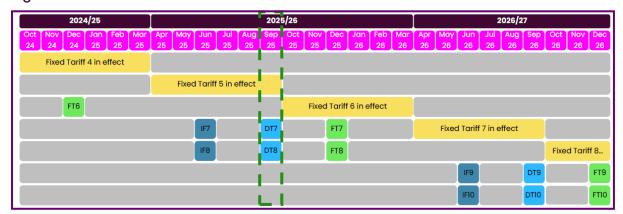


Figure 1 - BSUoS Tariff Publication Timetable







# **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.

Draft Tariffs 7 and 8 are shown in Figure 2:

Figure 2 - Draft Tariffs 7 and 8

	Financial Year 2026/27 - Fixed Tariff 7 - Draft Tariffs	
	Description	Draft Tariffs
	Balancing Cost Forecast £m	1292.0
	Internal Costs £m	434.6
Fixed Tariff 7 Apr 26 – Sep 26	Forecast over-recovery to the end of FT6, split between FT7 and FT8 £m	-58.8
xed .	CMP398 Costs £m	7.3
Ap	RF Income Adjustment£m	-10.4
	Total Costs £m	1664.7
	BSUoS Volume Forecast TWh	117.2
	BSUoS Tariff £/MWh	£14.21

	Financial Year 2026/27 - Fixed Tariff 8 - Draft Tariffs	
	Description	Draft Tariffs
	Balancing Cost Forecast £m	1347.9
	Internal Costs £m	432.2
Tariff 8 - Mar 27	Forecast over-recovery to the end of FT6, split between FT7 and FT8 £m	-58.5
ed 26	CMP398 Costs £m	7.3
Fix	RF Income Adjustment£m	-10.4
	Total Costs £m	1718.4
	BSUoS Volume Forecast TWh	144.0
	BSUoS Tariff £/MWh	£11.93

# **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 26 August and 1 September 2025.

Since the publication of the Initial Forecast of Tariffs 7 and 8 in June 2025, the balancing cost forecast has been updated to reflect the evolving system conditions.

For Fixed Tariff 7, the draft balancing cost forecast is now £1,292.0m, compared to the Initial Forecast of £1,379.1m, representing a reduction of 6%. This decrease is mainly driven by an 8% reduction in forecast constraints costs, a 2% decrease in the average wholesale price, and a 4% reduction in other costs.

For Fixed Tariff 8, the draft balancing cost forecast has increased to £1,347.9m from the Initial Forecast of £1,238.5m, an increase of 9%. The primary driver for this increase is a 20% rise in forecast constraints costs, which outweighs a 7% reduction in other costs, while the average wholesale price forecast remains unchanged.

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 Draft Tariffs 7 and 8 we have assumed a continuation of the costs for 2025/26 with a 3% uplift for inflation, as 2026/27 falls outside the latest NESO FM publication.

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

The final version of the FM will be published in November, and the amount that it shows will be incorporated in Final Tariffs published in December. The version of the model published in November will contain an updated forecast.

For further information on the NESO FM process please visit the Regulatory Finance NESO webpage <a href="mailto:neso.energy/about/operational-information/regulatory-finance">neso.energy/about/operational-information/regulatory-finance</a>

# 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. In line with the legal text of CMP361, any under/over-recovery feeds into future fixed tariffs.

As with the Initial Forecast published in June 2025, we have included a negative adjustment within Fixed Tariff 7 and 8 to account for cumulative forecast over-recovery to the end of Fixed Tariff 6.



At the point of this Draft Tariff setting (29 September 2025), we are forecast to be £117m over-recovered by the end of Fixed Tariff 6.

This over-recovery is being returned proportionally (£58.8m and £58.5m) across Fixed Tariff 7 and Fixed Tariff 8, to achieve a cash neutral position by the end of Fixed Tariff 8.

This is the same approach as used in our Initial Forecast of Tariffs 7 and 8. As 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. 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 29 September 2025, including the over/under recovery adjustments previously included in tariffs is shown below:

Table 1 – Forecast BSUoS Cash Positions

Fixed Tariff	Tariff Period Starting BSUoS Cash Position (£m)	(Over)/Under Recovery Adjustment in Tariff (£m)	Tariff Period Over/(Under) Recovery (£m)	Tariff Period End BSUoS 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)	(129.4)	(33.9)
Fixed Tariff 6* (Oct 25 – Mar 26)	(33.9)	164.3	(13.2)	117.2
Draft Tariff 7* (Apr 26 – Sep 26)	117.2	(58.8)	2.81	61.2
Draft Tariff 8* (Oct 26 – Mar 27)	61.2	(58.5)	1.61	4.3

<sup>\*</sup>Values for Fixed Tariff 5, Fixed Tariff 6, Fixed Tariff 7, and Fixed Tariff 8 are forecast as of 29 September 2025

Please note, our forecast BSUoS 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.

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<sup>1</sup> Over-recovery in Draft Tariffs 7 and 8 are the differences between the six-month balancing cost forecast used for tariff setting, and our October 2025 BSUoS forecast which is produced at a monthly granularity for costs.



Since the publication of Initial Forecast in June 2025, there have been changes to our forecast and outturn BSUoS cash position.

For Fixed Tariff 5 (April 25 – September 25), our forecast cumulative BSUoS cash position is –£33.9m, £90.9m below our forecast in June 2025. Costs for June, August and September out turned above our June forecast, with higher than forecast levels of demand being met by renewable generation, resulting in above forecast constraint costs.

For Fixed Tariff 6 (October 25 – March 26), our forecast cumulative BSUoS cash position is £117.2m, £39.8m below our forecast in June 2025. This is the result of the cumulative changes seen in Fixed Tariff 5, offset against a 1% decrease in the balancing cost forecast for the Fixed Tariff 6 period.

For further detail on our over-recovery position please visit our website: <u>Fixed Tariff</u>
<u>Revenue vs Costs Report</u>

#### 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 claims window for September 2025 remains open. We have not changed the forecast since June 2025 and will review the received claims in preparation for our published Final Tariff in December 2025.

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.

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 £21m 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.

The BSUoS chargeable volume forecast has been updated in this Draft Tariff 7 and 8 to reflect updates in the NESO national demand outlook and linear regression model inputs. Compared to the Initial Forecast Tariffs 7 and 8 in June 2025, Fixed Tariff 7 has been revised down by 1.0% to 117.2 TWh, while Fixed Tariff 8 has increased slightly by 0.6% to 144.0 TWh.

# 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.

#### **Tariff Webinar**

On 14 October 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







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
	BSUoS Fixed Tariff Model Consultation - June 2022	https://www.neso.energy/document/262041/download
n Info.	BSUoS Fixed Tariff Model Consultation Webinar -June 2022	https://www.neso.energy/document/262326/download
Model Consultation Info	BSUoS Fixed Tariff Model Consultation - Webinar Q&A June 2022	https://www.neso.energy/document/262531/download
Model Co	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
<u> </u>	BSUoS Fixed Tariff 6 Publication – December 2024	https://www.neso.energy/document/350411/download
Latest Tariff Publications	BSUoS Fixed Tariff 6 Webinar and Q&A - February 2025	https://www.neso.energy/document/353156/download https://www.neso.energy/document/353121/download
st Tariff P	Initial Forecast of BSUoS Fixed Tariffs 7 - June 2025	https://www.neso.energy/document/363656/download
Late	Initial Forecast of BSUoS Fixed Tariffs 7 and 8 Webinar and Q&A – July 2025	https://www.neso.energy/document/364921/download https://www.neso.energy/document/364926/download
	Plexos constraint forecast	https://www.neso.energy/data-portal/24-months- ahead-constraint-cost-forecast
Model Inputs	Historic daily balancing costs	https://www.neso.energy/data-portal/daily-balancing- costs-balancing-services-use-system
Mode	Future energy scenarios	https://www.neso.energy/publications/future-energy- scenarios-fes
	Weather data	https://gmao.gsfc.nasa.gov/reanalysis/MERRA-2/



	Description	Link/Source
	CMP361 and CMP362 Final Modification Report – 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
4 CMP362	Ofgem's final decision: CMP361 and CMP362 (15 December 2022)	https://www.ofgem.gov.uk/publications/cmp361-and- cmp362-decision
CMP361 and CMP362	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
	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
IP415	CMP408 Modification Web Page	https://www.neso.energy/industry- information/codes/cusc/modifications/cmp408- allowing-consideration-different-notice-period-bsuos- tariff-settings
and CM	CMP415 Final Modification Report (21 September 2023)	https://www.neso.energy/document/288861/download
CMP408 and CMP415	Ofgem's final decision: CMP415 (30 October 2024)	https://www.neso.energy/document/346516/download
ธ	CMP415 Modification Web Page	https://www.neso.energy/industry- information/codes/cusc/modifications/cmp415- amending-fixed-price-period-6-12-months
	NESO FM / Regulatory Finance NESO webpage	https://www.neso.energy/about/operational- information/regulatory-finance
Cost Info.	NESO BP2 Webpage	https://www.neso.energy/about/strategic-priorities/our-riio-2-business-plan
Cos	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



	Description	Link/Source
	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





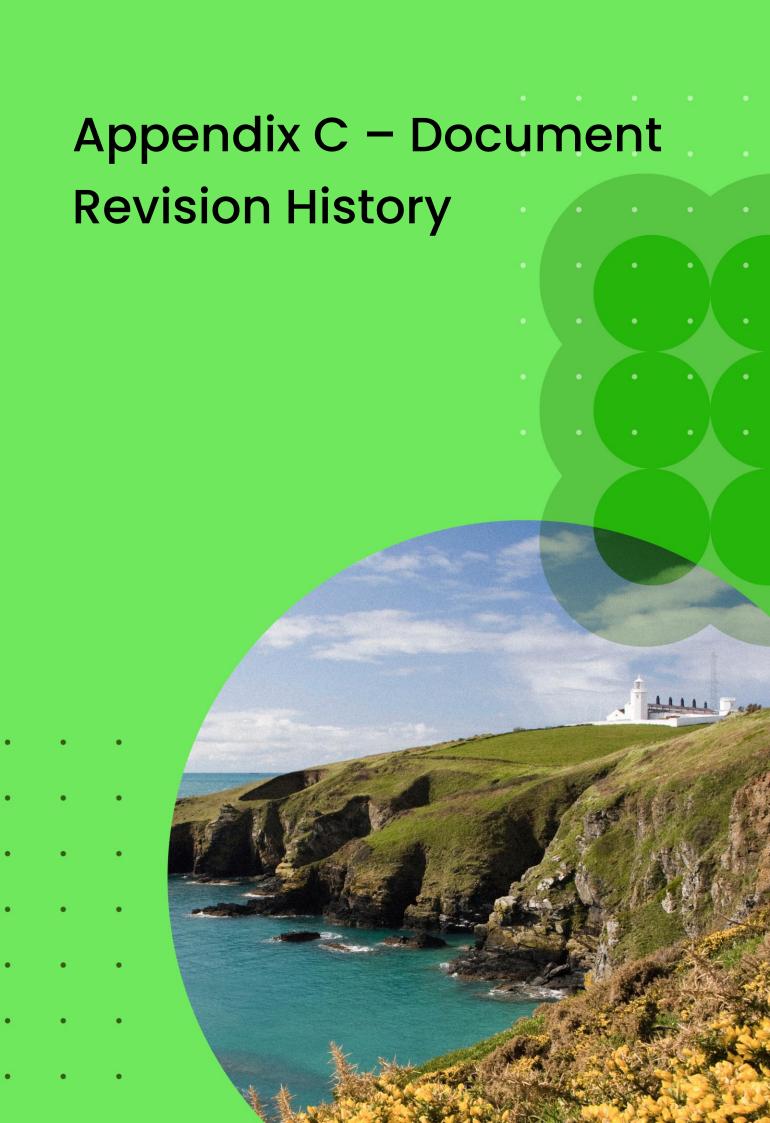
# Table 3 – Summary of CUSC Modifications Affecting BSUoS Tariffs

Name	Title	Status	Effect of change
CMP398	GC0156 Cost Recovery mechanism for CUSC Parties (see also consequential CMP412)	Implemented. The Authority <b>approved</b> Workgroup Alternative CUSC Modification Proposal (WACM1) 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 <b>approved</b> the Original solution with an implementation date of 1 April 2025.	This modification introduced 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.
CMP412	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.
<u>CMP415</u>	Amending the Fixed Price Period from 6 to 12 months	On 30 October 2024, the Authority <b>approved</b> 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 II. 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>CMP453</u>	To Bill BSUoS on a net basis at BSC Trading Units	This Current Proposal, raised on 30 April 2025, progressed to Workgroup. The Workgroup Report is scheduled to be presented to the CUSC Panel in September 2025 for approval to proceed to Code Administrator Consultation. The proposed timeline includes submitting the Final Modification Report to Ofgem by December 2025, with a recommended implementation date of April 2027.	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.
CMP456 <sup>2</sup>	Cost recovery for legacy plant in relation to GC0168	This proposal was presented to the Transmission Charging Methodologies Forum (TCMF) 4 September 2025	This proposal aims to enable generators to recover the cost of producing Electromagnetic Transient Models (EMT) through BSUoS, similar in approach to the Restoration Services cost recovery mechanism outlined in CMP398.

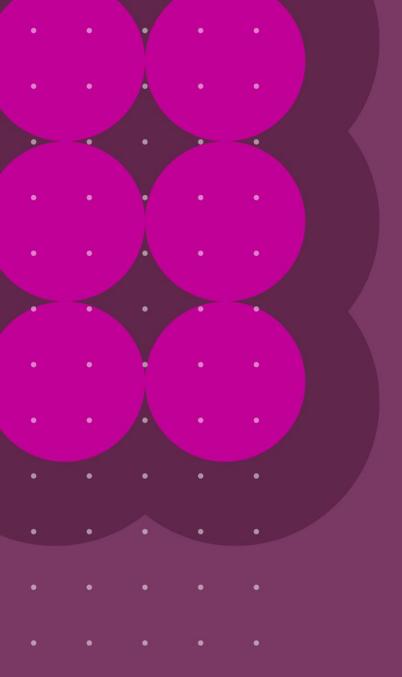
<sup>&</sup>lt;sup>2</sup> At date of report publication, modification not listed on NESO website. Please see linked site for updates: <a href="mailto:neso.energy/industry-information/codes/connection-and-use-system-code-cusc/cusc-modifications">neso.energy/industry-information/codes/connection-and-use-system-code-cusc/cusc-modifications</a>





# **Document Revision History**

Version Number	Date of Issue	Notes
1.0	2 October 2025	Publication of Draft BSUoS Tariffs for 2026/27 (Fixed Tariffs 7 and 8)



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