

CMP474: Fixed BSUoS Price Revision Mechanism

Workgroup 1, 30 April 2026

Online Meeting via Teams

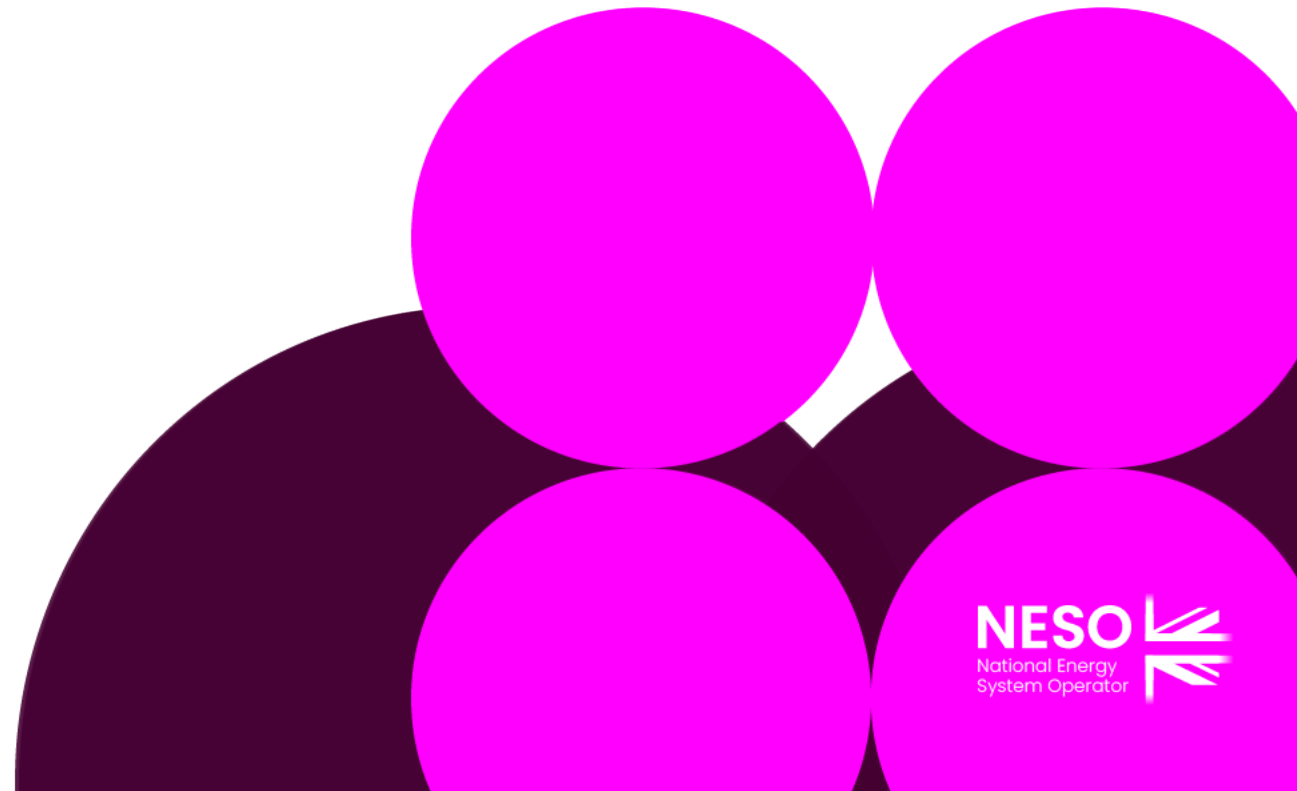
WELCOME

Agenda

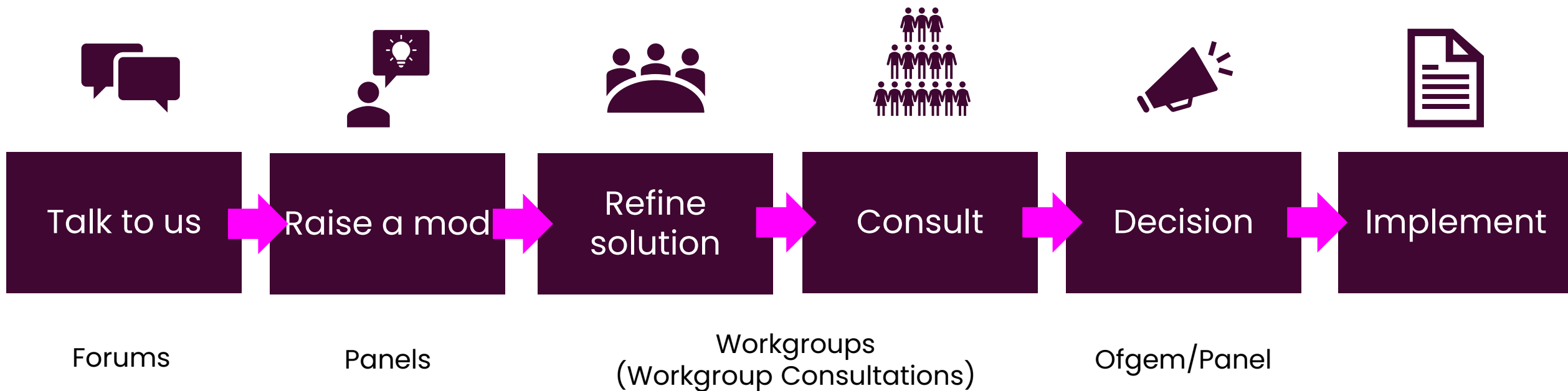
Topics to be discussed	Lead
Introductions	Chair
Code Modification Process Overview <ul style="list-style-type: none">• Workgroup Responsibilities• Workgroup Alternatives and Workgroup Vote	Chair
Objectives and Timeline <ul style="list-style-type: none">• Walk-through of the timeline for the modification	Chair
Review Terms of Reference	All
Proposer presentation	Proposer
Questions from Workgroup Members	All
Agree Terms of Reference	All
Cross Code Impacts	All
Any Other Business	Chair
Next Steps	Chair

Modification Process

Catia Gomes – NESO Code Administrator



Code Modification Process Overview



Refine Solution Workgroups



- If the proposed solution requires further input from industry in order to develop the solution, a Workgroup will be set up.
- The Workgroup will:
 - further refine the solution, in their discussions and by holding a **Workgroup Consultation**
 - Consider other solutions, and may raise **Alternative Modifications** to be considered alongside the Original Modification
 - Have a **Workgroup Vote** so views of the Workgroup members can be expressed in the Workgroup Report which is presented to Panel

Consult Code Administrator Consultation

- The Code Administrator runs a consultation on the **final solution(s)**, to gather final views from industry before a decision is made on the modification.
- After this, the modification report is voted on by Panel who also give their views on the solution.



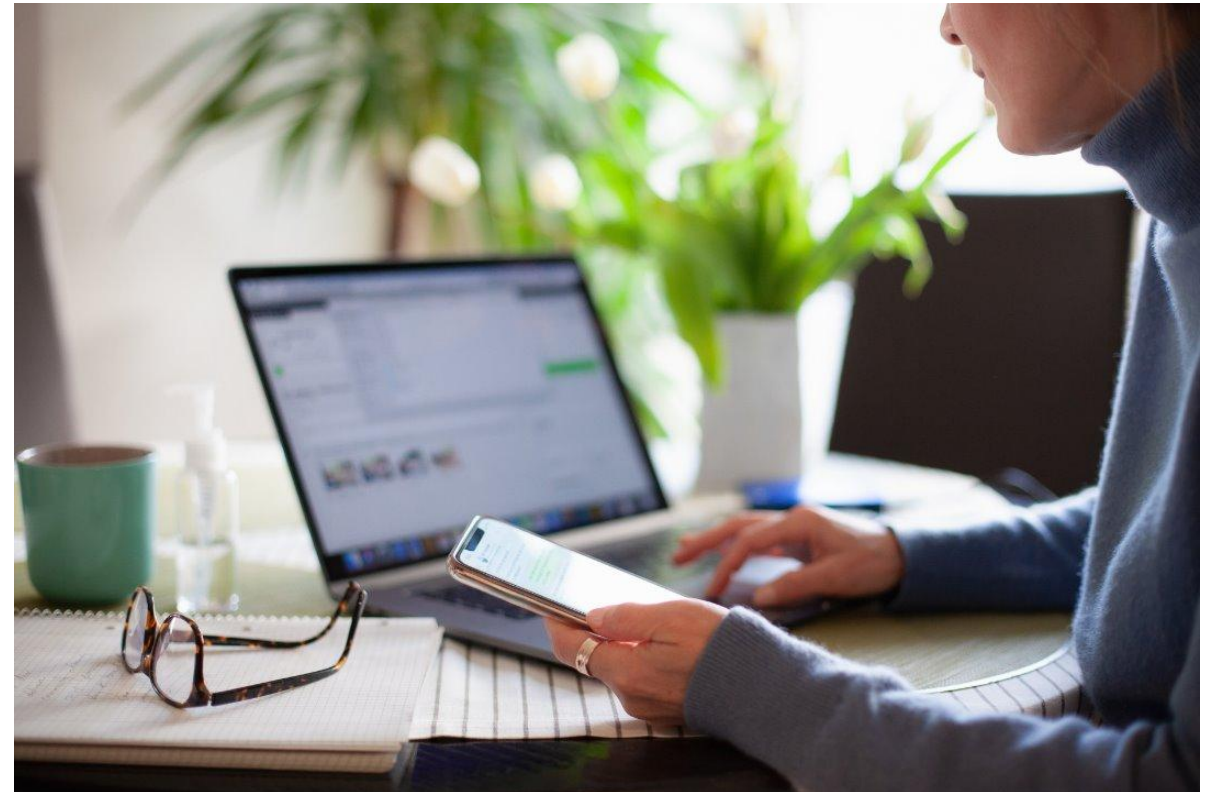
Decision



- Dependent on the Governance Route that was decided by Panel when the modification was raised
- **Standard Governance:** Ofgem makes the decision on whether or not the modification is implemented
- **Self-Governance:** Panel makes the decision on whether or not the modification is implemented
 - an appeals window is opened for 15 days following the Final Self Governance Modification Report being published

Implement

- The Code Administrator implements the final change which was decided by the Panel / Ofgem on the agreed date.



Workgroup Responsibilities and Membership

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Expectations of a Workgroup Member

Contribute to the discussion

Be respectful of each other's opinions

Language and Conduct to be consistent with the values of equality and diversity

Do not share commercially sensitive information

Be prepared – Review Papers and Reports ahead of meetings

Complete actions in a timely manner

Keep to agreed scope

Email communications to/cc'ing the .box email

Your Roles

Help refine/develop the solution(s)

Bring forward alternatives as early as possible

Vote on whether or not to proceed with requests for Alternatives

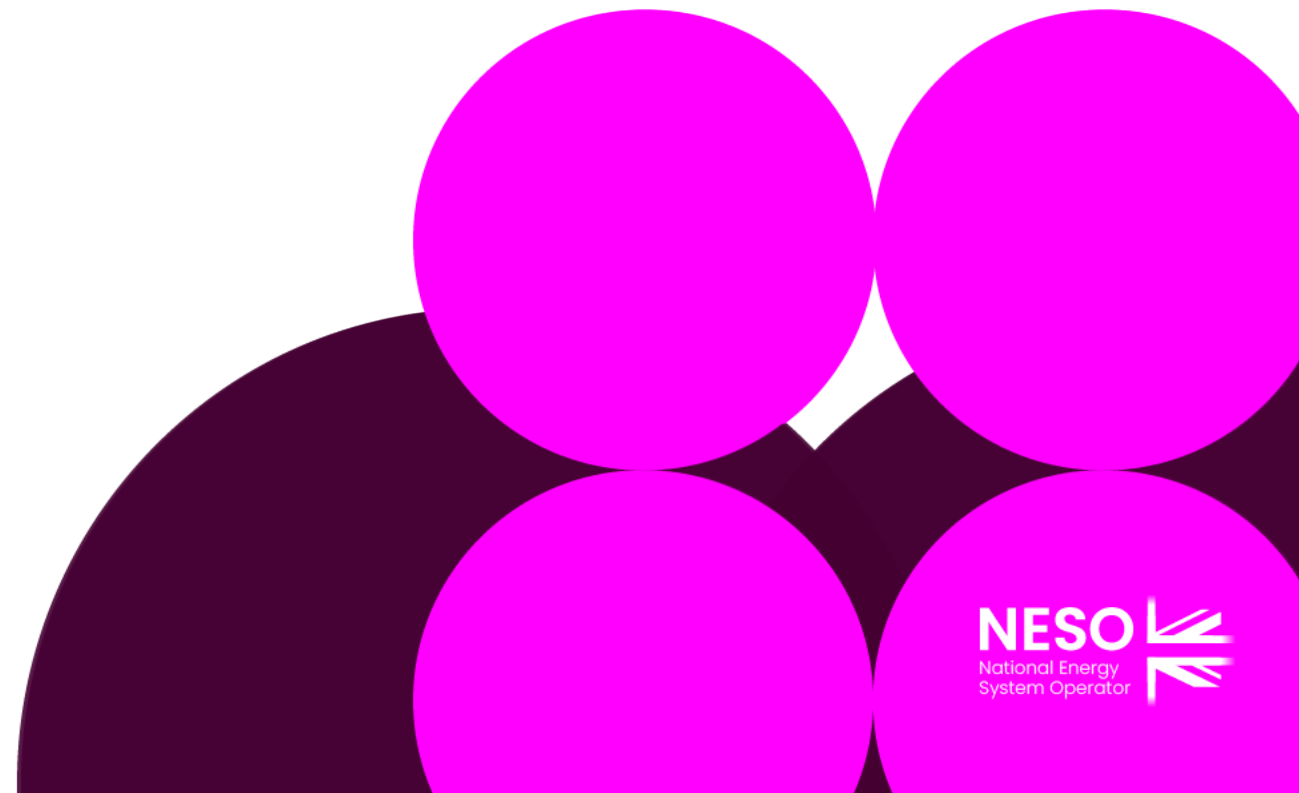
Vote on whether the solution(s) better facilitate the Code Objectives

Workgroup Membership

Role	Name	Company
Proposer	Gregory Edwards	Centrica
Workgroup Member	Damian Glough	SSE
Workgroup Member	Gareth Evans	Waters Wye
Workgroup Member	Hugh Boyle	EDF Energy
Workgroup Member	Karl Maryon	Drax
Workgroup Member	Louise Hellyer	Totalenergies
Workgroup Member	Michael Clark	Engie Supply UK
Observer	Piotr Czarniecki	E.ON
Authority Representative	David Tooby	Ofgem

Workgroup Alternatives and Workgroup Vote

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What is the Alternative Request?

What is an Alternative Request? The formal starting point for a Workgroup Alternative Modification to be developed which can be raised up until the Workgroup Vote.

What do I need to include in my Alternative Request form? The requirements are the same for a Modification Proposal you need to articulate in writing:

- a description (in reasonable but not excessive detail) of the issue or defect which the proposal seeks to address compared to the current proposed solution(s);
- the reasons why you believe that the proposed alternative request would better facilitate the Applicable Objectives compared with the current proposed solution(s) together with background information;
- where possible, an indication of those parts of the Code which would need amending in order to give effect to (and/or would otherwise be affected by) the proposed alternative request and an indication of the impacts of those amendments or effects; and
- where possible, an indication of the impact of the proposed alternative request on relevant computer systems and processes.

How do Alternative Requests become formal Workgroup Alternative Modifications? The Workgroup will carry out a Vote on Alternatives Requests. If the majority of the Workgroup members or the Workgroup Chair believe the Alternative Request will better facilitate the Applicable Objectives than the current proposed Original solution, the Workgroup will develop it as a Workgroup Alternative Modification.

Who develops the legal text for Workgroup Alternative Modifications? NESO will assist Proposers and Workgroups with the production of draft legal text once a clear solution has been developed to support discussion and understanding of the Workgroup Alternative Modifications.

Can I vote? And What is the Alternative Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference)

Stage 1 – Alternative Vote

- Vote on whether Workgroup Alternative Requests should become Workgroup Alternative CUSC Modifications.
- The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.
- **Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the CUSC objectives than the Original then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative CUSC modification (WACM)** and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.

Can I vote? And What is the Workgroup Vote?

To participate in any votes, Workgroup members need to have attended at least 50% of meetings. The vote shall be decided by simple majority of those present at the meeting at which the vote takes place (whether in person or by teleconference)

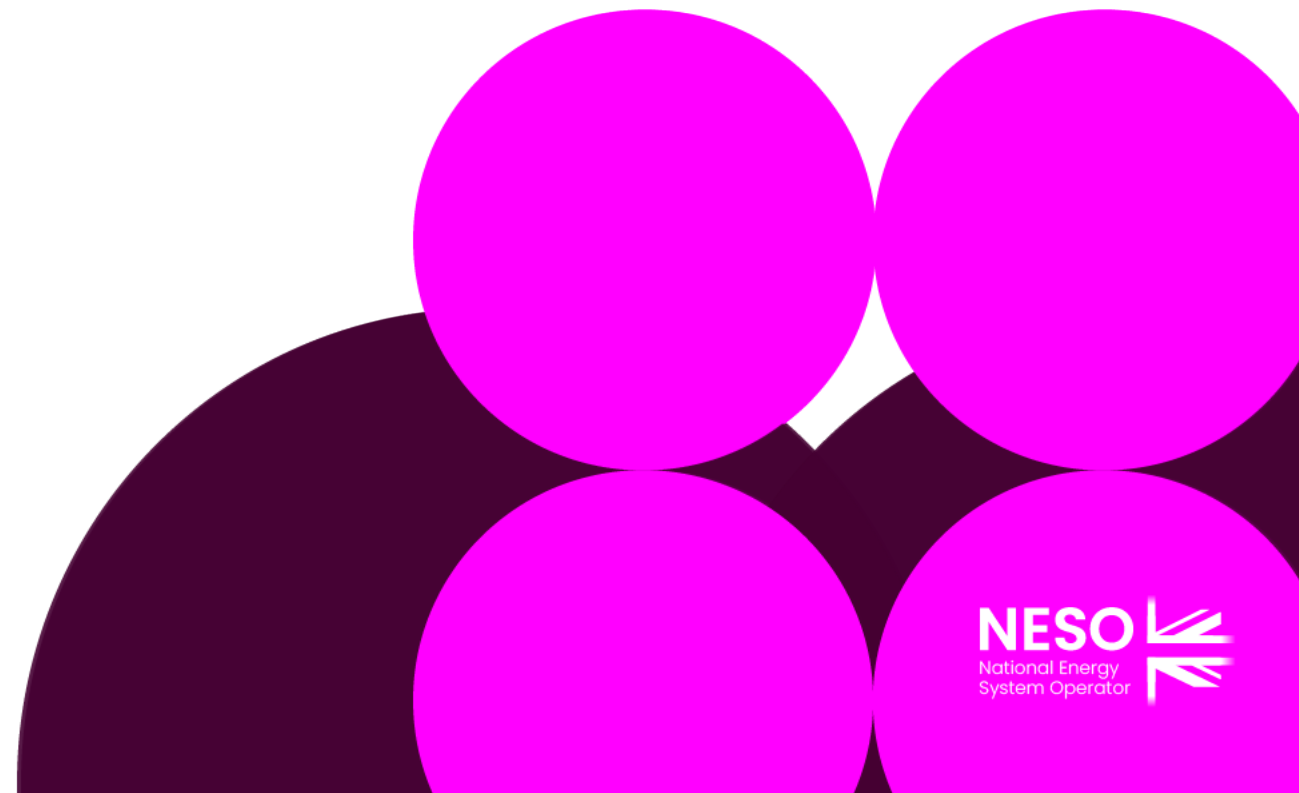
Stage 2 – Workgroup Vote

- 2a) Assess the original and Workgroup Alternative (if there are any) against the relevant Applicable Objectives compared to the baseline (the current code)
- 2b) Vote on which of the options is best.

Alternate Requests cannot be raised after the Stage 2 – Workgroup Vote

Objectives and Timeline

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Urgent Timeline for CMP474 as at 29 April 2026

Milestone	Date	Milestone	Date
Modification presented to Panel	21 April 2026	Workgroup report issued to Panel	16 June 2026
Workgroup Nominations (4 Business Days)	21 April 2026 to 27 April 2026	Panel sign off that Workgroup Report has met its Terms of Reference	19 June 2026
Ofgem grant Urgency Ideally maximum of 3 Business Days from date presented to Panel	27 April 2026 (5pm)	Code Administrator Consultation (4 Business Days)	23 June 2026 to 29 June 2026
Workgroup 1 (assuming Ofgem have granted Urgency)	30 April 2026	Draft Final Modification Report (DFMR) issued to Panel	07 July 2026
Workgroup 2	07 May 2026	Panel undertake DFMR recommendation vote	10 July 2026
Workgroup 3	11 May 2026	Final Modification Report issued to Panel to check votes recorded correctly	10 July 2026
Workgroup 4	15 May 2026	Final Modification Report issued to Ofgem	10 July 2026
Workgroup Consultation (4 Business Days)	19 May 2026 to 25 May 2026	Ofgem decision	17 July 2026
Workgroup 5	28 May 2026	Implementation Date	24 July 2026
Workgroup 6	02 June 2026		
Workgroup 7	05 June 2026		
Workgroup 8	10 June 2026		

Review Terms of Reference

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Terms of Reference

Workgroup Term of Reference

- a) Consider EBR implications
- b) Consider the scope of work identified and whether this is achievable within the timeframe outlined in the Ofgem Urgency decision letter.
- c) Consider the trade-off between NESO and Supplier cashflow risks
- d) Consider the interactions between CMP474 and any other in-flight urgent BSUoS mods
- e) Consider how CMP474 interacts with the energy price cap and in turn how CMP474 will impact consumer bills
- f) Consider the threshold to be set for Working Capital
- g) Consider the minimum notice period

Proposer's Solution:

Background, Proposed Solution,
Scope and Assessment vs Terms of
Reference

Gregory Edwards – Centrica

centrica

Fixed Balancing Services Use of System Price revision mechanism

21 April 2026



Contents

- 01 What is the issue?
- 02 Why change?
- 03 Why is the solution?
- 04 Why is Urgency required?



What is the issue?

- 1. Suppliers are exposed to unmanageable risks relating to the revision of Fixed BSUoS Prices:**
 - Fixed BSUoS tariffs protect suppliers from unpredictability within a period **BUT NESO can re-open tariffs if it needs additional funding.**
 - NESO developed its own process that allows it to reset tariffs with 5 days notice.
 - It is extremely difficult for suppliers to accurately forecast balancing costs, the NESO's available working capital and how and when NESO will reset tariffs.
- 2. Suppliers are exposed to structural under-recovery if tariffs are reset given the existing framework:**
 - Suppliers would be unlikely to be able to recover all additional costs from their fixed contracts.
 - Suppliers may not be able to recover additional costs from domestic customers on the price cap.
- 3. NESO is forecasting that the £300m BSUoS Working Capital Facility will be exhausted by October/November, and under-recover by ~£600m by March.**

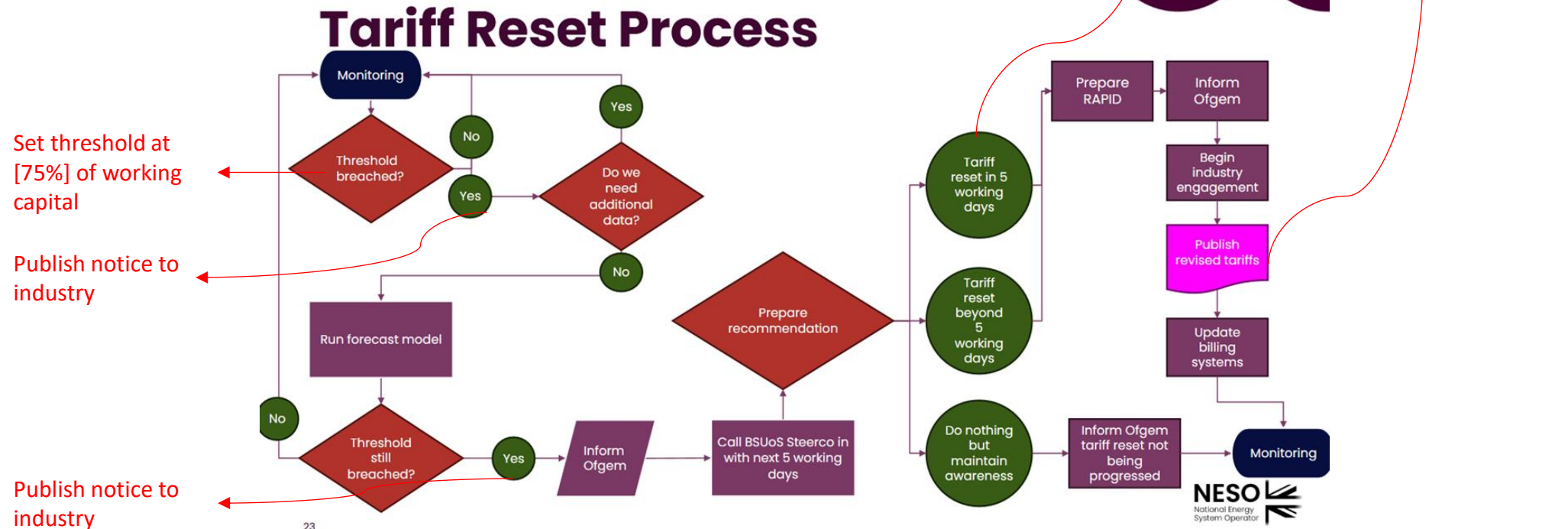
Why change?

- 1. An industry-agreed process for revising the Fixed BSUoS Price would mitigate some of the unnecessary risks:**
 - A clearly defined, industry-agreed process would protect Suppliers from having to attempt to forecast:
 - when The Company would revise the Fixed BSUoS Price;
 - how The Company would revise the Fixed BSUoS Price;
 - and the increase in the Fixed BSUoS Price that The Company would seek to implement
- 2. An appropriate notice period for the revision of the Fixed BSUoS Price would prevent the erosion of some of the expected benefits associated with the CMP408 and CMP415 decisions.**
- 3. An industry-agreed revision process would protect Suppliers and customers from the significant market uncertainty**
 - Suppliers would be unlikely to be able to recover all additional costs from their fixed contracts.
 - Suppliers may not be able to recover additional costs from domestic customers on the price cap.

03 – What is the solution?

Adapt and codify the Fixed BSUoS Price revision process that NESO has published:

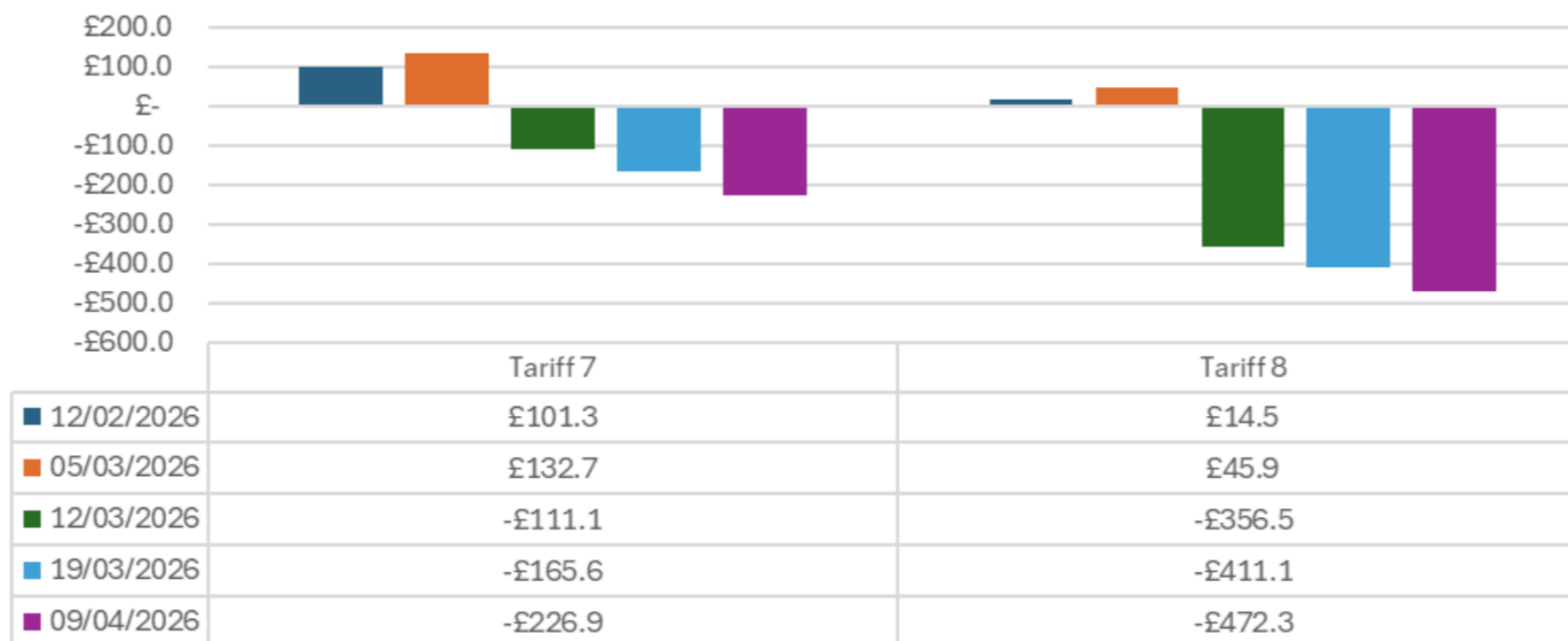
1. Specify the minimum information that NESO must publish ahead of resetting tariffs.
2. Specify the minimum notice period for resetting tariffs.
3. Specify working capital utilisation targets if a tariff reset is needed.



Why is Urgency required?

The risk of a disorderly Fixed BSUoS Price revision with insufficient notice is significantly increasing:

1. NESO's forecast end-of-period under/over-recovery positions have significantly worsened since February.
2. NESO is forecasting that:
 - it will exhaust funds recovered through BSUoS Charges in May/June 2026; and
 - the £300m BSUoS Working Capital Facility will be exhausted in October/November 2026.



Thank you

For further information, please contact:

Gareth Evans (Gareth@waterswye.co.uk)

James Knight (James.Knight3@centrica.com)

Gregory Edwards (Gregory.Edwards@centrica.com)



Agree Terms of Reference

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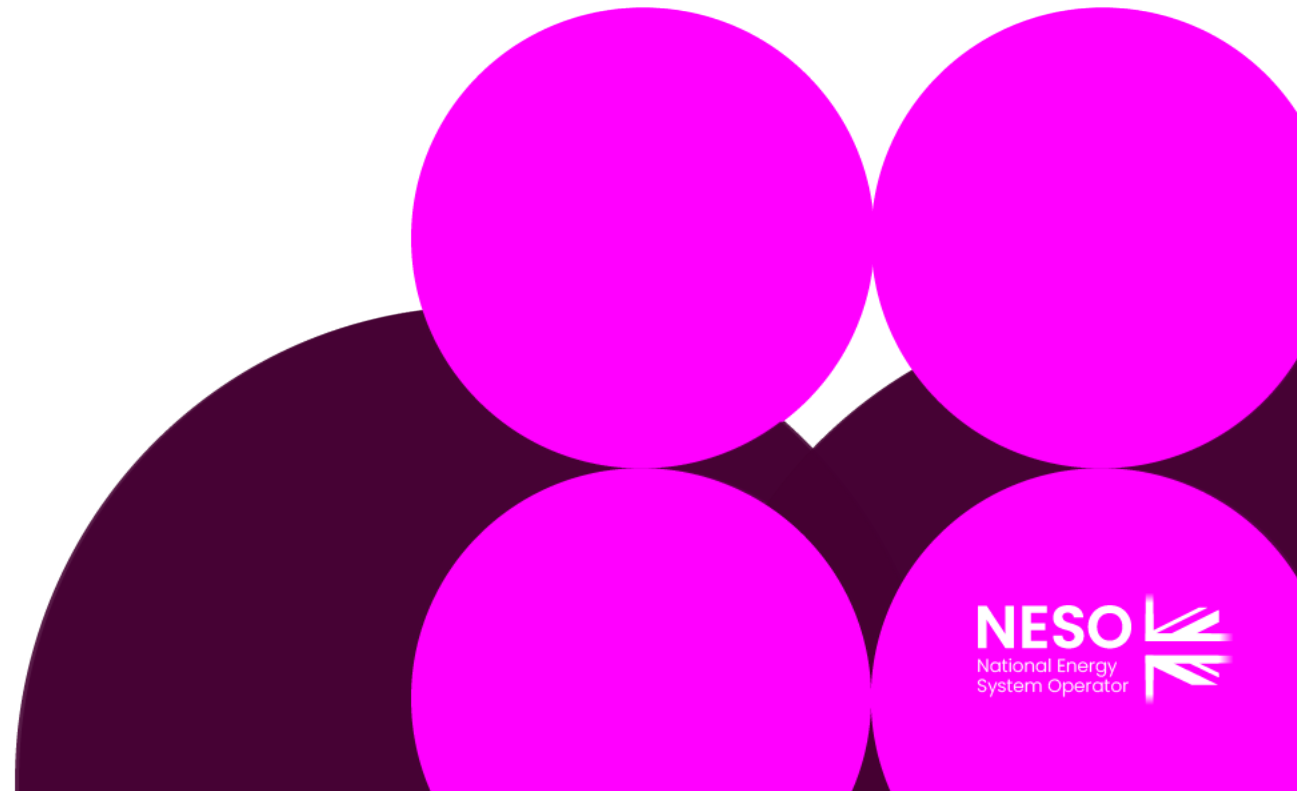
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Cross Code Impacts

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Any Other Business and Next Steps

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