

CMP474: Fixed BSUoS Price Revision Mechanism

Workgroup 2, 07 May 2026

Online Meeting via Teams

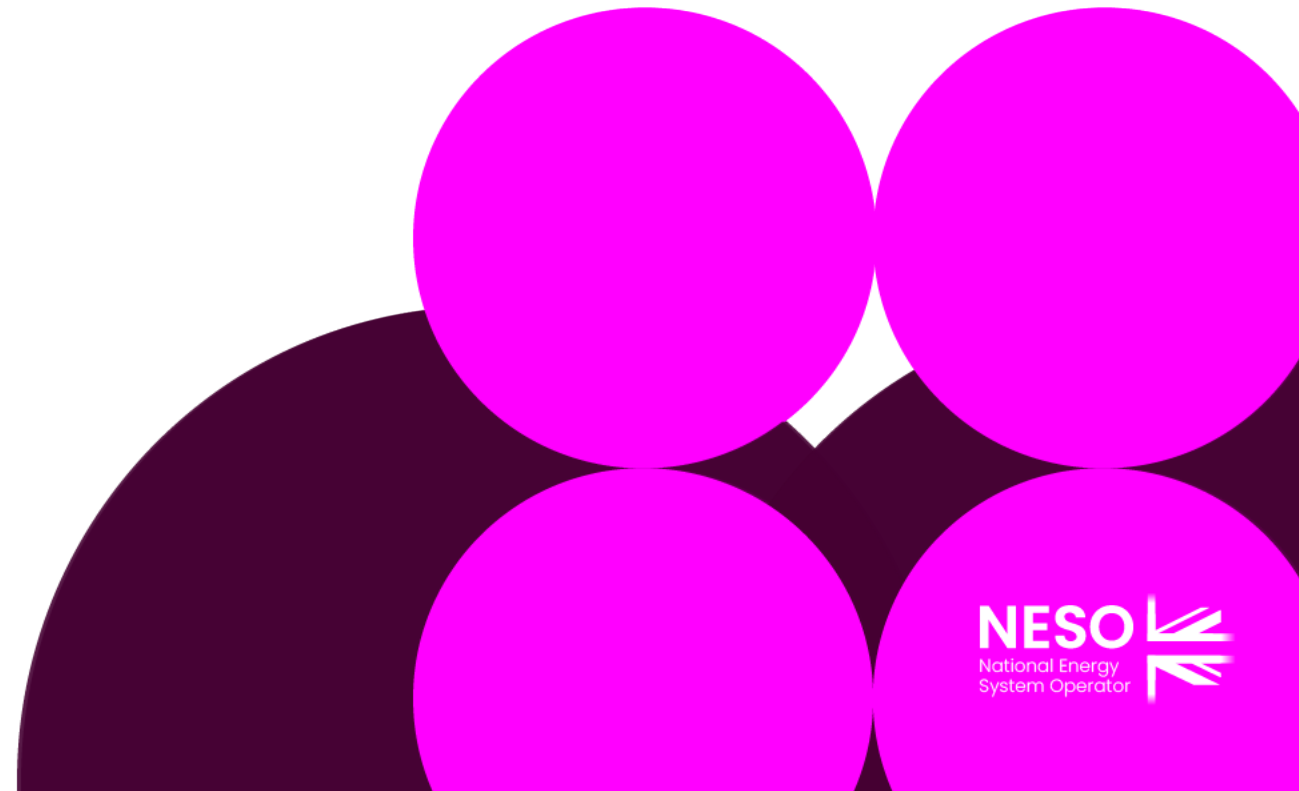
WELCOME

Agenda

Topics to be discussed	Lead
Workgroup Responsibilities and Expectations	Chair
Objectives and Timeline	Chair
Action Log Update	Chair
Original Solution – Rationale	Proposer
Workable Examples	NESO Rep
Cross Code Impacts	All
Any Other Business	Chair
Next Steps	Chair

Workgroup Responsibilities and Membership

Catia Gomes – NESO Code Administrator



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

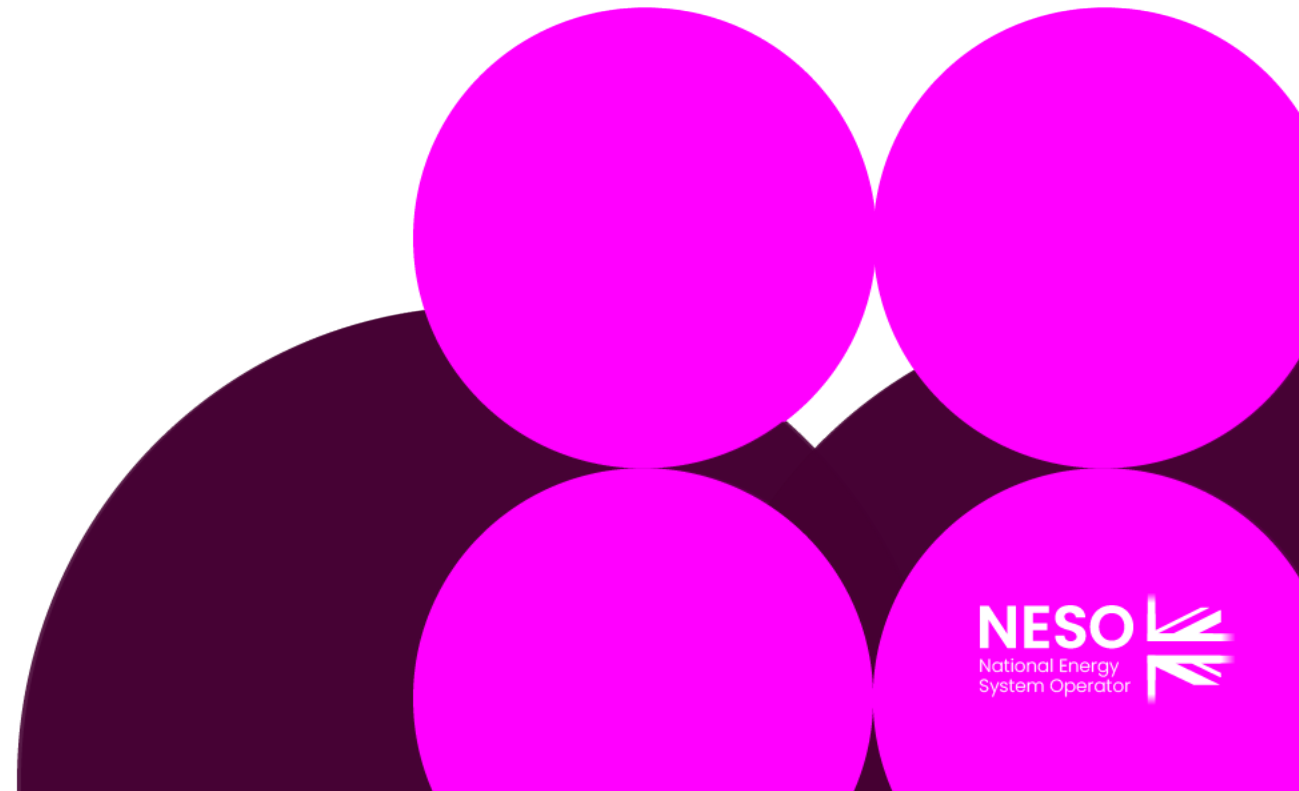
Role	Name	Company	Industry Sector
Proposer	Gregory Edwards	Centrica	
Workgroup Member	Damian Glough	SSE	Generator
Workgroup Member	Gareth Evans	Waters Wye	Other
Workgroup Member	Hugh Boyle	EDF Energy	Supplier
Workgroup Member	Karl Maryon	Drax	Supplier
Workgroup Member	Louise Hellyer	Totalenergies	Supplier
Workgroup Member	Michael Clark	Engie Supply UK	Supplier
Workgroup Member	Pawel Czarnowski	ScottishPower	Supplier

Workgroup Membership

Role	Name	Company	Industry Sector
Observer	Enmanuel Morales	Brook Green Supply	Supplier
Observer	Piotr Czarniecki	E.ON	Supplier
Observer	Robert Cameron-Higgs	Ecotricity	
Observer	Sunny Yedekar	Yu Energy	
Authority Representative	David Tooby	Ofgem	

Objectives Timeline

Catia Gomes – NESO Code Administrator



Urgent Timeline

Objectives

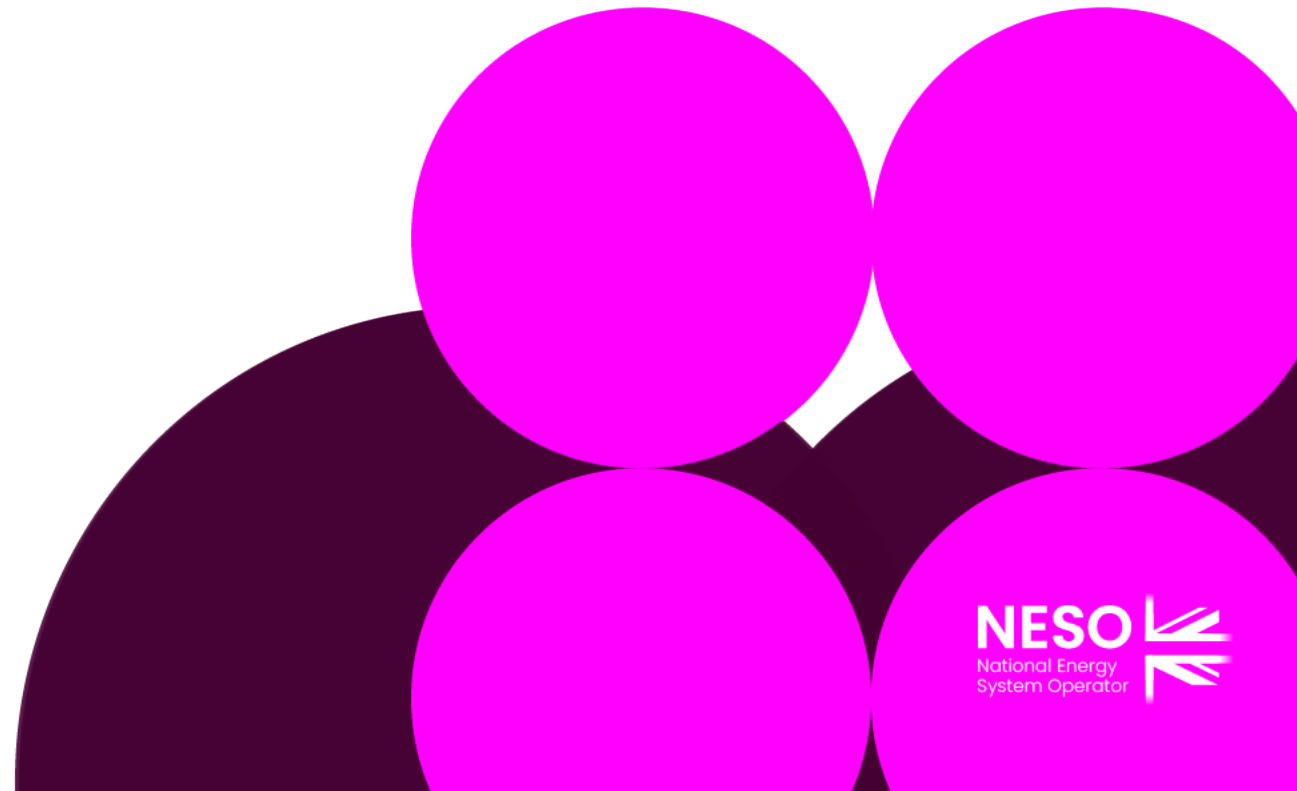
To update the solution if required and discuss possible alternatives

Urgent Timeline for CMP474 as of April 2026

Workgroups		
Workgroup 1	30 April 2026	Proposer's presentation
Workgroup 2	07 May 2026	Solution Update
Workgroup 3	11 May 2026	Alternatives/Consultation questions
Workgroup 4	15 May 2026	Finalise WG Consultation
Workgroup Consultation	9.00am 19 May 2026 to 5.00pm 22 May 2026	
Workgroup 5	28 May 2026	Review consultation responses
Workgroup 6	02 June 2026	Alternative Discussion
Workgroup 5	05 June 2026	Review and Finalise Legal Text
Workgroup 6	10 May 2026	Finalise Report/Workgroup Vote
Post Workgroups		
Workgroup Report to Panel	19 May 2026	Special Panel 19 June 2026
Code Administrator Consultation	23 June 2026 – 29 June 2026 (5 Business Days due to Urgency)	
Draft Final Modification Report to Panel	07 July 2026	Special Panel on 10 July 2026
Final Modification Report to Ofgem	10 July 2026	Decision 17 July 2026
Implementation Date	24 July 2026	

Action Log Update

Catia Gomes – NESO Code Administrator

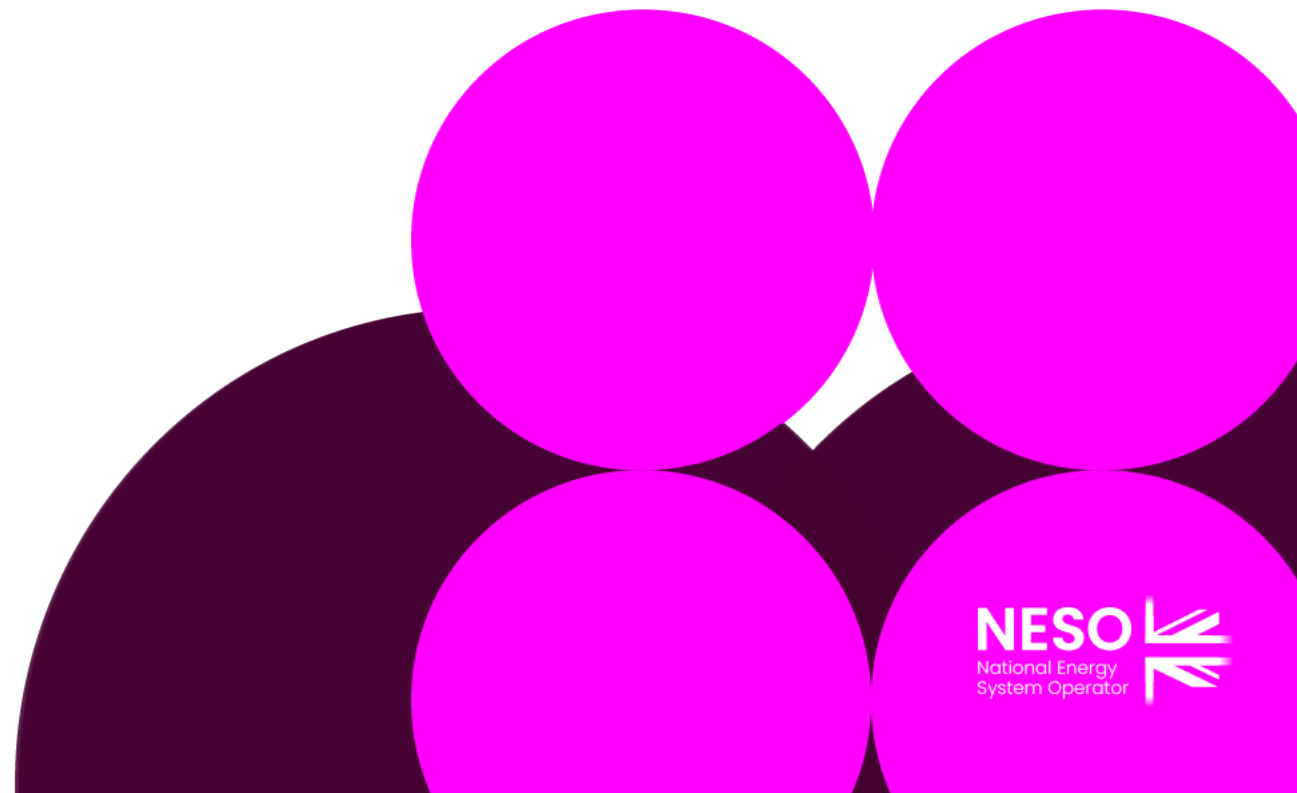


Actions Log

Action Number	Owner	Action	Status
1	GE	Provide illustrative examples which work backwards from the energy price cap timetable to identify the latest point at which a BSUoS fixed price reset can be implemented.	Open
2	GE	Provide detail and rationale supporting percentage thresholds (the proposed 75% working capital trigger) and the four month and one week minimum notice period	Open
3	MC	Provide worked examples demonstrating possible tariff reset decisions based on the current situation if a 4 month and 1 week minimum notice period was in place, demonstrating the trade-offs between longer (earlier/less certain) and shorter (later/more certain) notice.	Open
4	GE	Consider a possible situation in which tariffs should not be reopened or in effect for a 15 month notice period.	Open

Original Solution – Rationale

Gregory Edwards – Centrica



centrica

CMP474

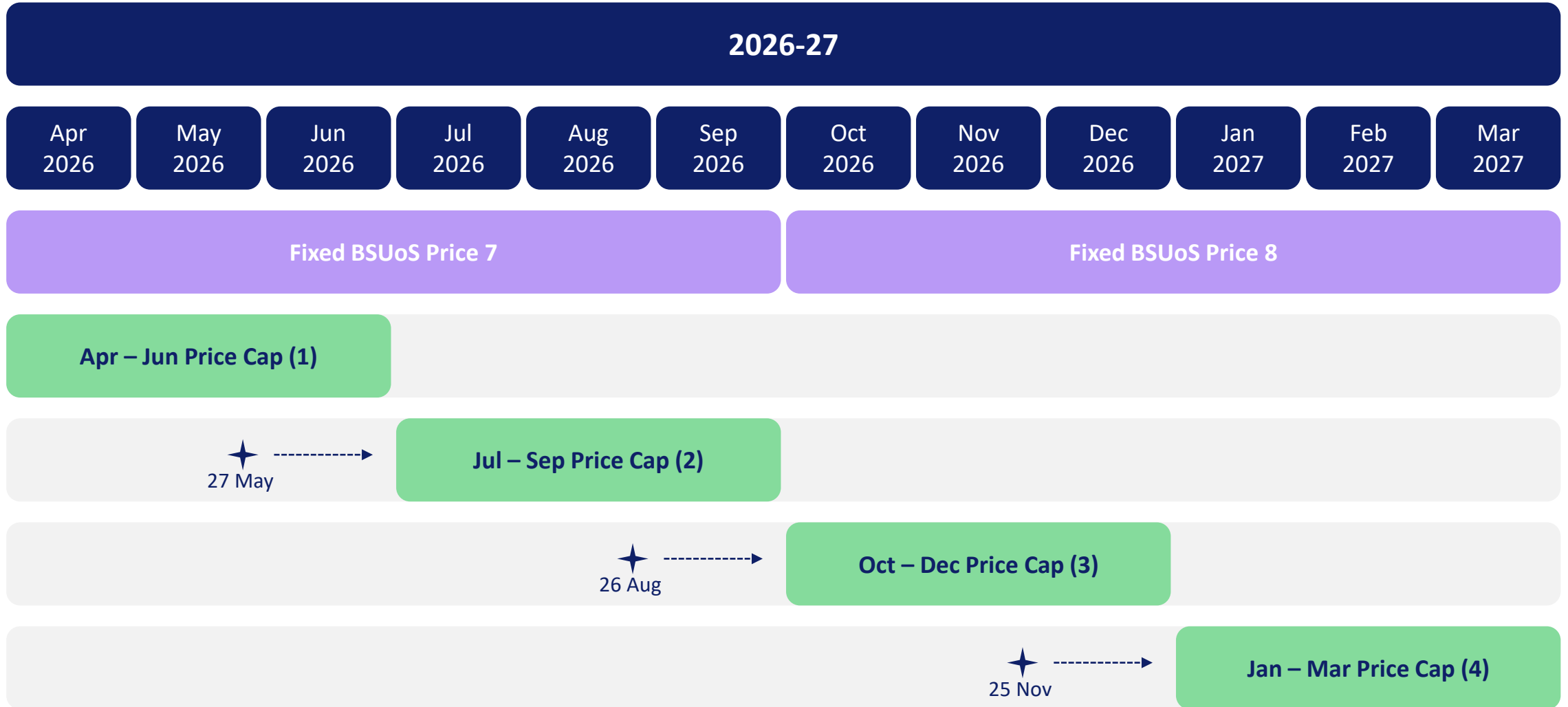
Fixed BSUoS Price
Revision Mechanism

Workgroup meeting 2

7 May 2026



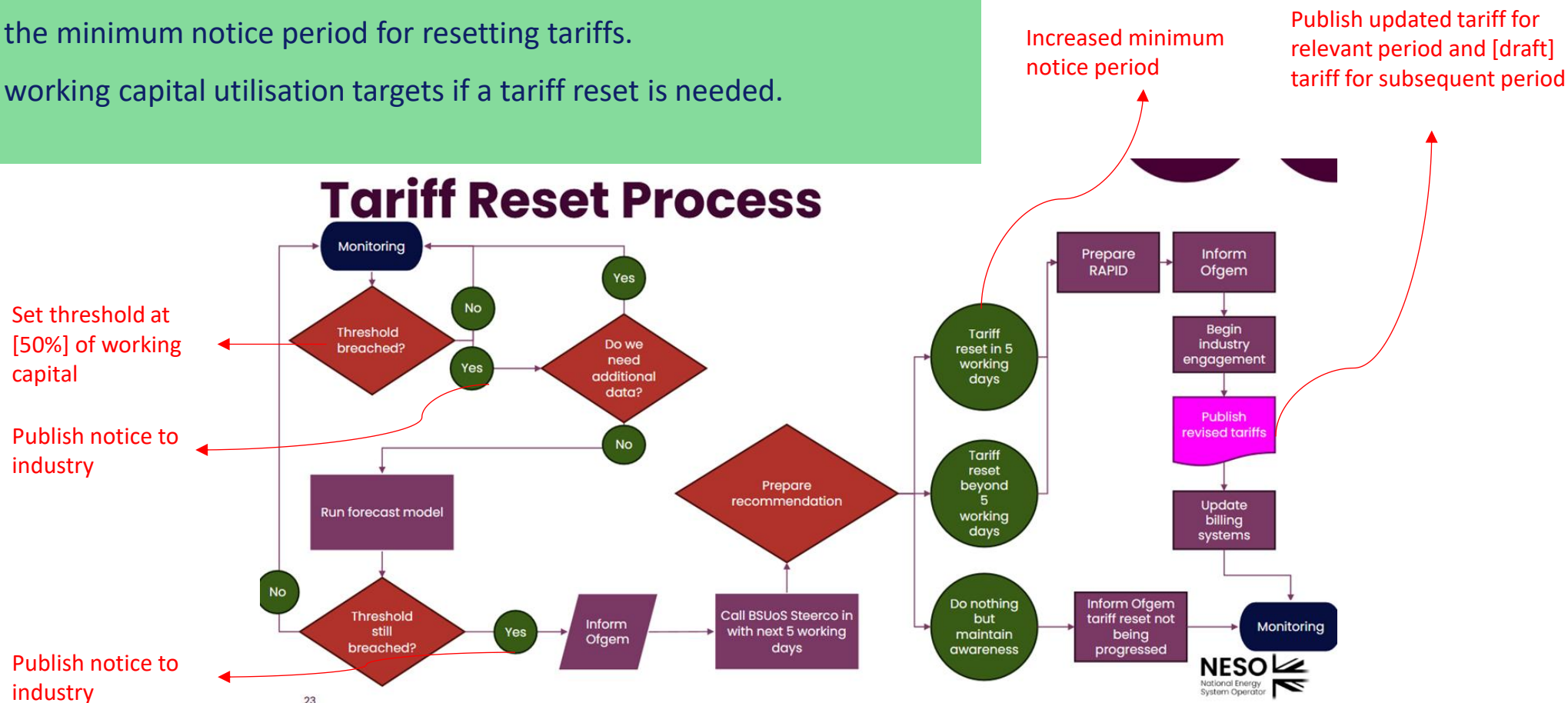
BSUoS Fixed Tariff periods and price cap periods



Outline of the CMP474 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.



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Solution part 1: specify the minimum information that NESO must publish ahead of revising the Fixed BSUoS Price

	Enduring arrangements: From January – March 2027 price cap period onwards	Transitional arrangements: For the October to December 2026 price cap period only	Rationale
BSUoS Working Capital Facility Utilisation Trigger	50%		<ul style="list-style-type: none"> This level provides suppliers with early, actionable information before material risk crystallises, while still avoiding unnecessary or noise-driven alerts.
Relevant forecast	<ul style="list-style-type: none"> Forecast generated by forecast model used by NESO in the 'Monitor' phase of its internal 'Tariff Reset Process' 		<ul style="list-style-type: none"> Maintains consistency with NESO's internal 'Tariff Reset Process' Early warning signal and NESO's decision making are supported by the same forecast.
Minimum information requirements	<ul style="list-style-type: none"> Assumed size of the BSUoS Working Capital Facility When it expects that the BSUoS Working Capital Facility will be exhausted Forecast of additional costs to be recovered in the relevant Fixed Tariff period(s) Indicative revised Fixed BSUoS Price(s) for the relevant Fixed Tariff period(s) Indicative Fixed BSUoS Price for the subsequent period for which the Fixed BSUoS Price has not yet been published. 		<ul style="list-style-type: none"> Introduces some degree of predictability

Solution part 2: specify the minimum notice period for revising the Fixed BSUoS Price

	Enduring arrangements: From January – March 2027 price cap period onwards	Transitional arrangements: For the October to December 2026 price cap period only	Rationale
Duration of Fixed BSUoS Price	<ul style="list-style-type: none"> Revised Fixed BSUoS Prices are fixed for the entire duration of any price cap period 		<ul style="list-style-type: none"> Reduces the risk of under-recovery of costs from domestic customers on the default. Partially mitigates supplier cashflow risk
Minimum notice period	<ul style="list-style-type: none"> 3 months 	<ul style="list-style-type: none"> 2 months 	<ul style="list-style-type: none"> The 3-month notice period is the same as that for the April to September Fixed BSUoS Price The 2-month window reflects the expected Authority decision in July
Fixed BSUoS Price revision window	<ul style="list-style-type: none"> Window closes at 3 months ahead of the start of any price cap period 	<ul style="list-style-type: none"> Window closes at 2 months ahead of the start of the October to December 2026 price cap period 	<ul style="list-style-type: none"> Revision windows ensure that revised Fixed BSUoS Prices can be included in price cap setting.
Restrictions on revising the Fixed BSUoS Price	-	<ul style="list-style-type: none"> Fixed BSUoS Price cannot be revised if the 2-month notice period cannot be satisfied 	<ul style="list-style-type: none"> Prevents an unnecessary market shock. Cost recovery can be delayed to the next price cap period.

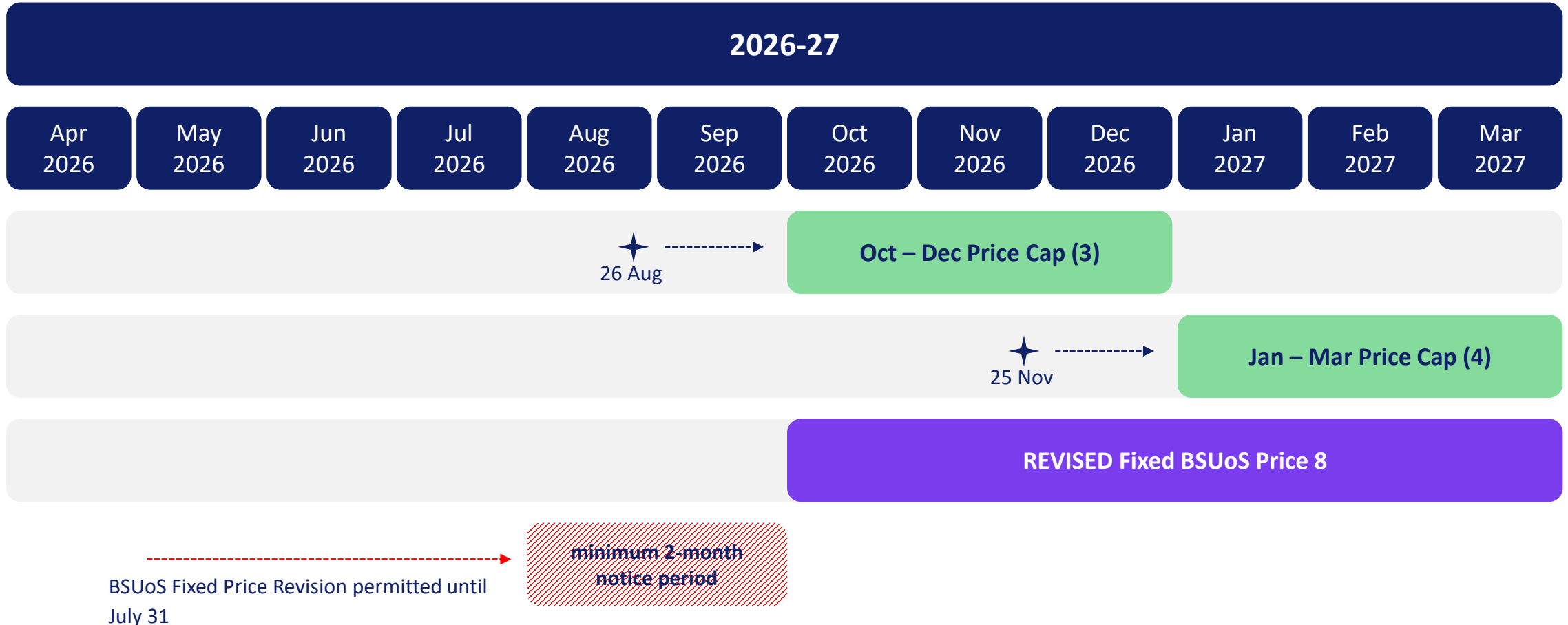
Solution part 2: specify the minimum notice period for revising the Fixed BSUoS Price (2)

	Enduring arrangements: From January – March 2027 price cap period onwards	Transitional arrangements: For the October to December 2026 price cap period only	Rationale
Minimum information requirements	<ul style="list-style-type: none"> • Assumed size of the BSUoS Working Capital Facility • Target BSUoS Working Capital Facility utilisation floor • Revised Fixed BSUoS Price(s) for the relevant Fixed Tariff period(s) • Additional costs to be recovered in the relevant Fixed Tariff period(s) • Indicative Fixed BSUoS Price for the subsequent period for which the Fixed BSUoS Price has not yet been published. 		

Solution part 3: specify BSUoS Working Capital Facility utilisation floor if revision of the Fixed BSUoS Price is necessary

	Enduring arrangements: From January – March 2027 price cap period onwards	Transitional arrangements: For the October to December 2026 price cap period only	Rationale
BSUoS Working Capital Facility utilisation floor	<ul style="list-style-type: none"> Utilisation cannot be less than 75% if a specific revised Fixed BSUoS Price encompasses a single price cap period Utilisation cannot be less than 50% if a specific revised Fixed BSUoS Price encompasses two price cap periods 		<ul style="list-style-type: none"> It can be assumed that the working capital availability is evenly distributed across the year i.e. 25% of the working capital is available for each quarter Ensures adequate working capital is available to NESO Ensures that recovery of working capital is not excessive since revision of the Fixed BSUoS Price should be an extraordinary market event

Transitional arrangements for the October – December 2026 price cap period



Enduring arrangements for the January – March 2027 price cap period onwards



Thank you

For further information, please contact:

James Knight (James.Knight3@centrica.com)

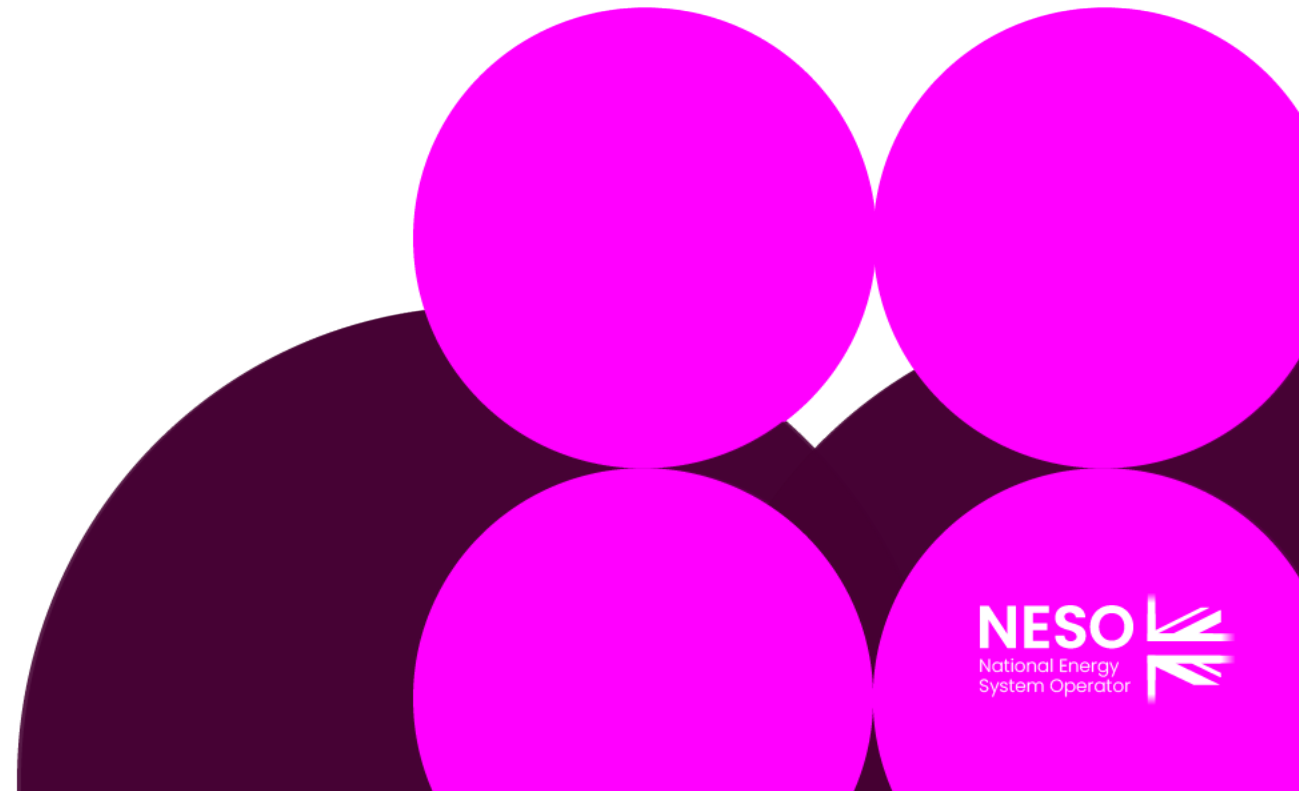
Gregory Edwards (Gregory.Edwards@centrica.com)

Gareth Evans (Gareth@waterswye.co.uk)

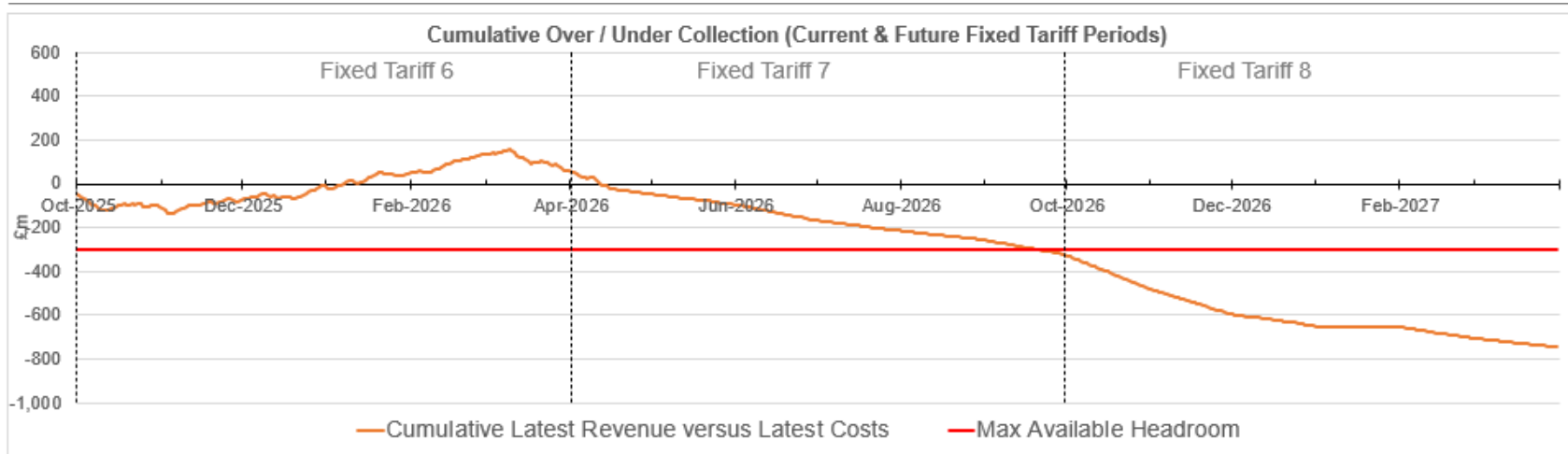


Worked Examples

Martin Cahill– NESO



Notice Period Impact – Example

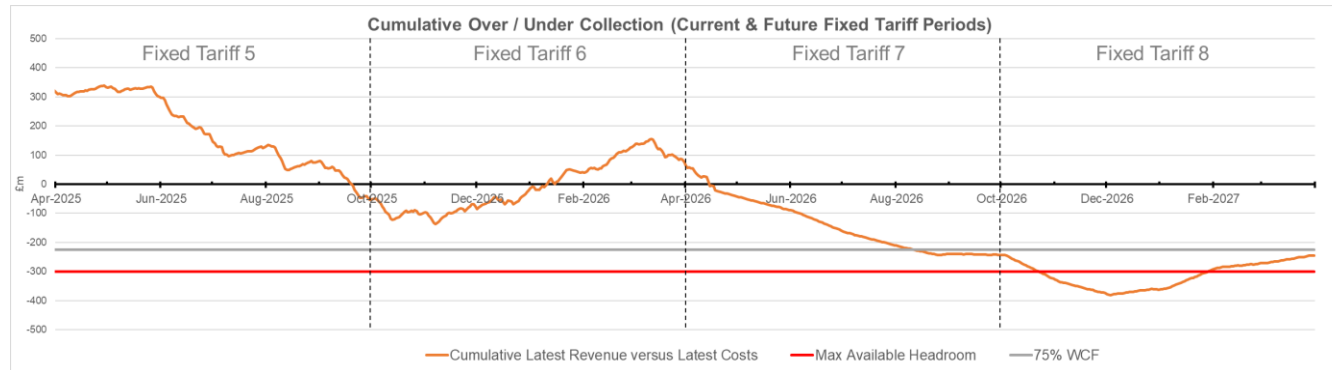


- The above chart shows the forecasted position on the 16th April this year
- At this point in time NESO was forecasting to exceed 75% of working capital by 9th August, and over 100% by October
- Likely that by this point we would have reset Fixed Tariff 7 if the 4 months and 1 week notice period was in place to ensure we do not drop below 100% before it is possible to implement any tariff changes
- Likely would also be close to resetting for Fixed Tariff 8.

Today
16/04/2026

Forecast cash position at the end of fixed tariff 5	-£48m
Change from Last Report (09/04/2026)	£0m
Change from Final Tariff 7&8 Setting	-£7m
Forecast cash position at the end of fixed tariff 6	£58m
Change from Last Report (09/04/2026)	£6m
Change from Final Tariff 7&8 Setting	-£81m
Forecast cash position at the end of fixed tariff 7	-£322m
Change from Last Report (09/04/2026)	-£95m
Change from Final Tariff 7&8 Setting	-£396m
Forecast cash position at the end of fixed tariff 8	-£747m
Change from Last Report (09/04/2026)	-£274m
Change from Final Tariff 7&8 Setting	-£751m

Notice Period Impact – Reset 16 April



- On the 16 April, given a 4 month and 1 week notice period, we would have reset Tariff 7 starting 23 August
- Chart above includes this change as well as a reset for Tariff 8 from 1 October.
- This assumes a max recovery to 75% of capital, which would result in breaching the working capital limit midway through fixed tariff 8. This demonstrates it is likely NESO would have needed to top up further

Today
16/04/2026

Fixed Tariff Details

Reset Fixed Tariff
Details

Forecast cash position at the end of fixed tariff 6
£58m

Fixed Tariff 6
Oct 25 - Mar 26
£15.69/MWh

Fixed Tariff 6
Oct 25 - Mar 26
£15.69/MWh

Forecast cash position at the end of fixed tariff 7
-£243m

Fixed Tariff 7
01 Apr 26 - 22 Aug 26
£13.74/MWh

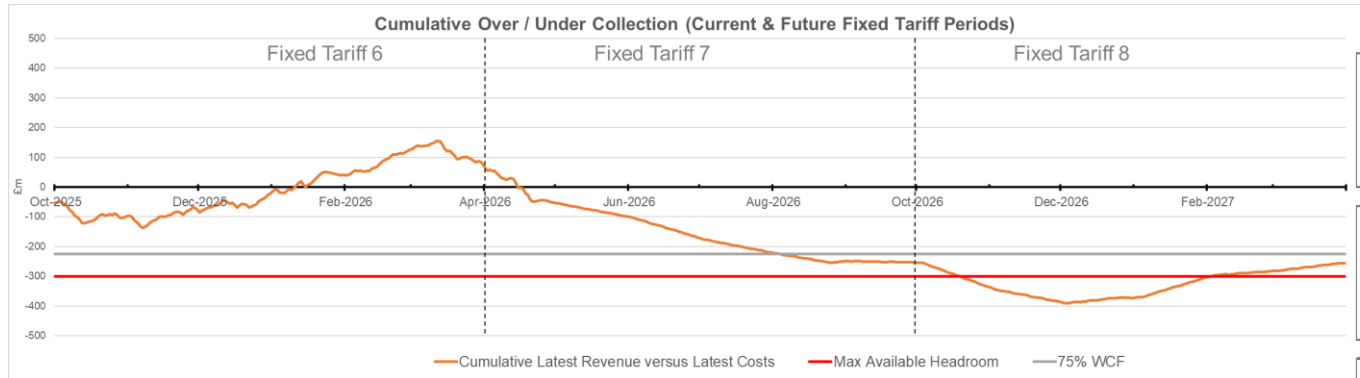
Fixed Tariff 7
23 Aug 26 - 30 Sep 26
£16.79/MWh

Forecast cash position at the end of fixed tariff 8
-£243m

Fixed Tariff 8
£14.18/MWh

Fixed Tariff 8
01 Oct 26 - 31 Mar 27
£15.41/MWh

Notice Period Impact – 23 April



1 week later tariffs forecasts had decreased further – updated figures shown if reset had been in place

Today
23/04/2026

Fixed Tariff Details

Reset Fixed Tariff
Details

Forecast cash position at the end of fixed tariff 6
£58m

Fixed Tariff 6
Oct 25 - Mar 26
£15.69/MWh

Fixed Tariff 6
Oct 25 - Mar 26
£15.69/MWh

Forecast cash position at the end of fixed tariff 7
-£254m

Fixed Tariff 7
01 Apr 26 - 22 Aug 26
£13.74/MWh

Fixed Tariff 7
23 Aug 26 - 30 Sep 26
£16.79/MWh

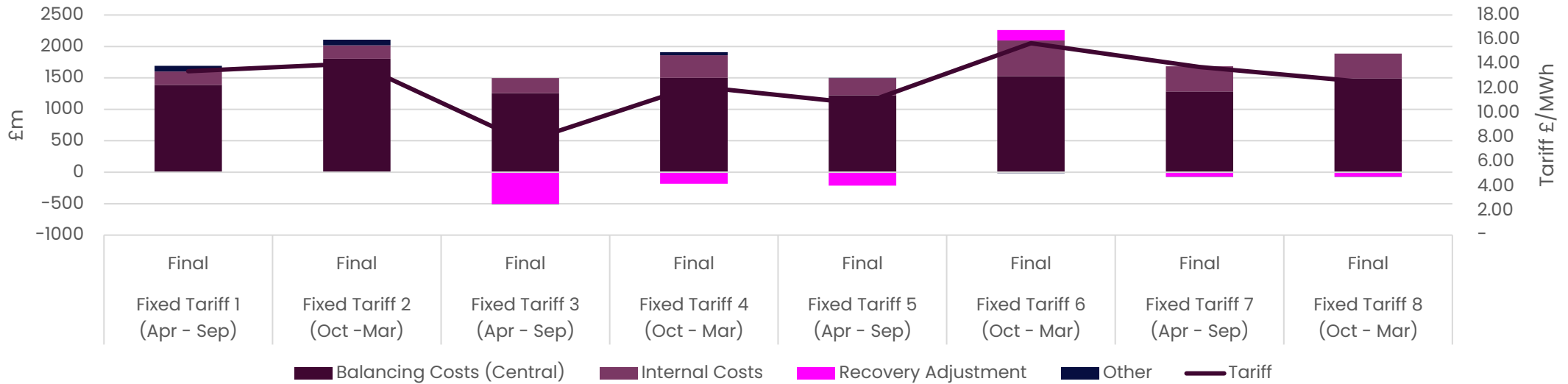
Forecast cash position at the end of fixed tariff 8
-£253m

Fixed Tariff 8
£14.18/MWh

Fixed Tariff 8
01 Oct 26 - 31 Mar 27
£15.41/MWh

Historic Fixed Tariff Inputs

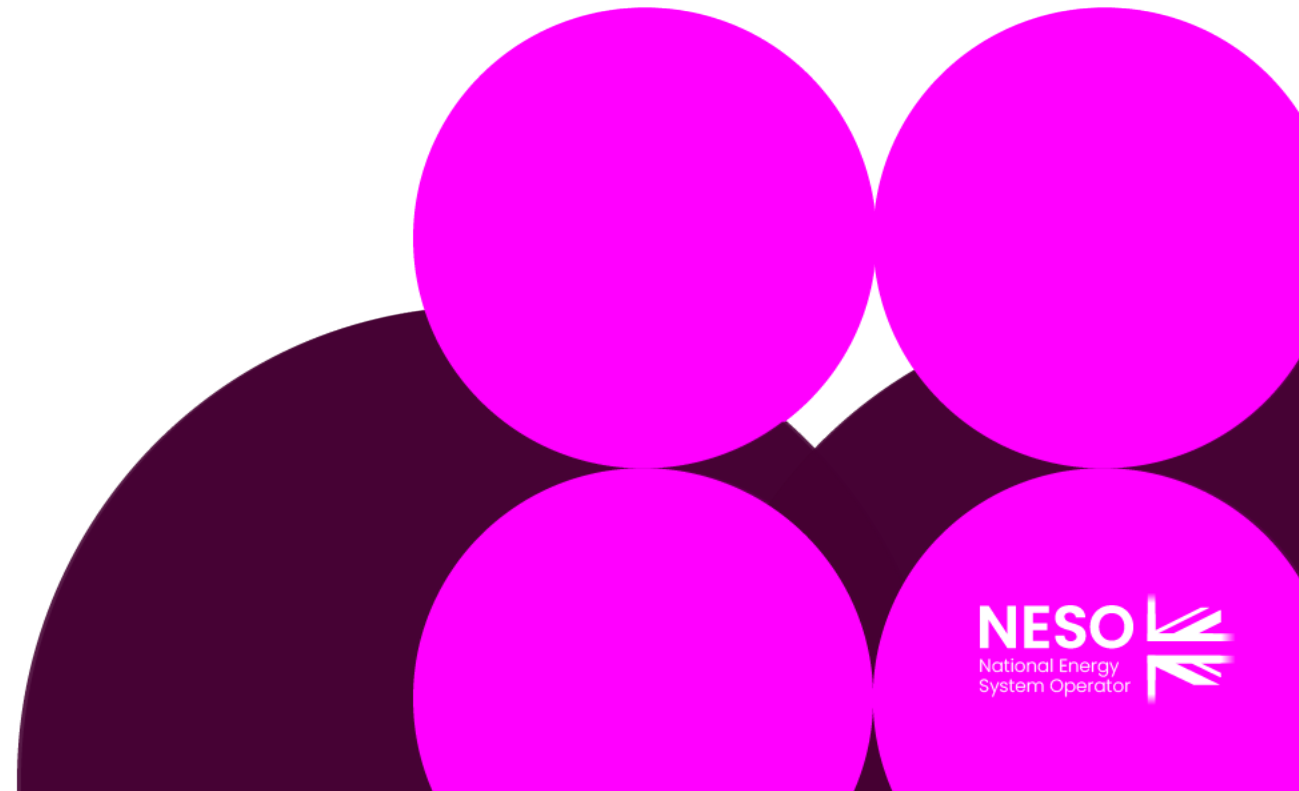
BSUoS Tariff Cost Inputs (£m)



	2023/24		2024/25		2025/26		2026/27	
All values £m unless stated	Fixed Tariff 1 (Apr - Sep)	Fixed Tariff 2 (Oct - Mar)	Fixed Tariff 3 (Apr - Sep)	Fixed Tariff 4 (Oct - Mar)	Fixed Tariff 5 (Apr - Sep)	Fixed Tariff 6 (Oct - Mar)	Fixed Tariff 7 (Apr - Sep)	Fixed Tariff 8 (Oct - Mar)
Balancing Costs (Central)	1,387.00	1,803.00	1,259.30	1,502.51	1,225.5	1,528.0	1,285.2	1,489.8
Internal Costs	215.95	215.95	236.43	359.17	271.9	569.7	400.0	397.8
Recovery Adjustment			-504.20	-182.00	-215.0	164.3	-69.8	-69.5
Other	87.50	87.50	-0.03	46.70	4.3	-13.8	-6.1	-6.1
Total	1,690.45	2,106.45	991.50	1,726.38	1,286.6	2,248.2	1,609.3	1,812.0
Tariff (£/MWh)	13.41	14.03	7.63	12.17	10.74	15.69	13.74	12.49

Cross Code Impacts

Catia Gomes – NESO Code Administrator



Any Other Business and Next Steps

Catia Gomes – NESO Code Administrator

