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Code Administrator Meeting

Summary

Workgroup Meeting 1: CMP474: Fixed BSUoS Price Revision Mechanism

Date: 30 April 2026

Contact Details

Chair: Catia Gomes, catia.gomes@neso.energy

Proposer: Gregory Edwards, gregory.edwards@centrica.com

Key areas of discussion

The Chair set out the agenda, which covered introductions, an overview of the Code Modification Process, a review of the current timeline, the Proposer’s presentation, consideration and agreement of the Terms of Reference, cross-code impacts and next steps.

Click [here](#) to view the slide pack.

Code Modification Process Overview

The Chair outlined the end-to-end Code Modification Process, from formal submission and Workgroup formation through Workgroup Consultation, Workgroup voting, and reporting to the CUSC Panel. The Chair emphasised the role of the Workgroup in refining the Proposer’s solution, considering alternatives and progressing a final recommendation to Ofgem for decision.

Timeline Review

The Chair presented the approved urgent timeline for CMP474, noting that key milestone dates, such as delivery to the Panel are now set in coordination with Ofgem and cannot be changed. Although additional Workgroup meetings may be scheduled, if necessary, members were encouraged to propose alternatives early and promptly identify any scheduling conflicts. This will help ensure that all consultation and reporting deadlines are met in a timely manner.

Proposers Presentation

The Proposer presented CMP474 in response to increasing BSUoS balancing costs and the associated uncertainty arising from the current arrangements for resetting the fixed BSUoS price. It was highlighted that limited notice of tariff reopening reduces predictability for Suppliers and may result in updated BSUoS rates being excluded from the energy price cap, increasing the risk of unrecovered costs.

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The Proposer noted that this reintroduces volatility and risk that recent approved modifications sought to mitigate.

The Proposer explained that CMP474 seeks to introduce greater clarity and predictability into the process for resetting the fixed BSUoS price, building on NESO's existing published process. The proposed solution comprises three key elements:

- (i) enhanced market information and pre-notification where costs are forecast to exceed working capital;
- (ii) the introduction of a minimum notice period prior to resetting the fixed rate, and
- (iii) increased flexibility for NESO when replenishing working capital following a tariff reset, rather than being constrained by the working capital position at the start of the charging period.

The Proposer indicated that the modification is intended to reduce Supplier risk, support more predictable cost recovery and preserve the intended benefits of previous BSUoS reforms aimed at reducing volatility.

Workgroup Questions and Discussion

BSUoS Price Reset

The Workgroup discussed the circumstances under which a reset of the fixed BSUoS price could occur. The NESO SME sought clarification on whether the forecasting of working capital depletion beyond a proposed threshold would result in an automatic tariff reset, noting concerns that this could increase the frequency of resets. The Proposer clarified that the threshold is intended as an information trigger only and would not lead to an automatic reset. It was explained that the purpose of the threshold is to require NESO to publish information to the market when depletion of working capital is forecasted. Any decision to reopen and reset the fixed price remained discretionary and subject to the wider process set out in the proposal. The Proposer also noted that the threshold values included in the Proposal are indicative and would be subject to further consideration by the Workgroup.

The NESO SME queried how a BSUoS price reset would operate in practice once implemented, specifically whether a reset would be intended solely to restore working capital to just below the proposed threshold or whether there would be flexibility to replenish working capital to a higher level. Limiting a reset to addressing the immediate threshold breach could result in working capital being rapidly eroded again by subsequent cost movements, potentially leading to repeated pressure and further resets.

The Proposer explained that the Proposal does not prescribe a fixed replenishment level, but instead is designed to provide NESO with discretion when resetting the tariff.

A Workgroup member sought clarification on how the proposed four month and one week minimum notice period would operate in practice where NESO was forecast to exhaust working

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capital within a shorter timeframe. The Proposer explained that the notice period is intended to support inclusion of any BSUoS price reset within Ofgem’s price cap process, aligning with the price cap timetable, while acknowledging that this may not align neatly in all circumstances and may require further consideration.

A Workgroup member asked whether the proposal includes any cap or limit on the extent to which the fixed BSUoS price could be increased as part of a reset, noting the potential for significant cost movements over short periods. In response, the Proposer explained that while the option of a cap was considered, it was not included in the Proposal. Introducing a cap could constrain NESO’s ability to recover costs outside its control and increase the risk of NESO being unable to meet its payment obligations. The intention is to ensure sufficient funding whilst providing suppliers with greater notice.

Price Cap Alignment and Timelines

A Workgroup member suggested it was important to understand how the proposed BSUoS price reset process aligns with the energy price cap timetable. They suggested working backwards from the price cap process to identify when information would need to be available, including establishing a clear “drop-dead date” by which any BSUoS price reset would need to occur in order to be reflected in the relevant price cap period. An Action was taken for the Proposer to provide illustrative examples which work backwards from the energy price cap timetable to identify the latest point at which a BSUoS fixed price reset would need to be implemented to be reflected in the relevant price cap period. This should include clarifying the minimum notice period and timing dependencies **(Action 1)**.

The NESO SME raised that the proposed minimum notice period (four months) could create issues in scenarios where costs escalate quickly (i.e. if there were a series of high-cost balancing days over a short period, working capital could be exhausted before the 4 month notice period allows tariffs to be reset). The NESO SME asked whether the Proposal will allow for any flexibility in exceptional circumstances to reset tariffs with a shorter notice period. The Proposer responded:

- the minimum notice period is intended to align BSUoS price resets with Ofgem’s price cap timetable, so that any reset can be reflected in the relevant price cap period and suppliers are able to recover costs.
- acknowledged that there could be scenarios where costs escalate rapidly and working capital is exhausted within a shorter timeframe. However, Proposal is focused on avoiding resets that fall outside the price cap window.
- noting that costs incurred after the price cap is set cannot be recovered by Suppliers.
- the four month and one week period was therefore proposed to maximise the likelihood of inclusion in the price cap, while recognising that the exact notice period and treatment of exceptional scenarios may require further Workgroup consideration.

A Workgroup member highlighted that BSUoS price resets implemented at very short notice could have significant impacts on customer bills, particularly for non-domestic customers.

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Sudden changes may place customers under financial pressure and that bill impacts should be an important consideration alongside NESO's cash-flow requirements when assessing notice periods and reset arrangements.

The Chair advised that at Workgroup 2 the Proposer should return with further detail and rationale to support the proposed parameters within the solution, in particular the use of the 75% working capital threshold and the four month and one week minimum notice period. The Workgroup needs to understand how these values were derived and to work through the timing implications mentioned above. This will assist with further Workgroup discuss and develop legal text. **(Action 2)**

A Workgroup member highlighted that the percentage levels applied across the proposed solution would materially affect how points 1, 2 and 3 operate in practice (slide 27). They suggested:

- a lower percentage (for example 50%) for the information trigger under point 1 could provide earlier visibility to suppliers of a deteriorating working capital position.
- the choice of replenishment target under point 3 involves a trade-off: a lower target would result in a larger immediate £/MWh impact following a reset, whereas a higher target could reduce the immediate bill impact but leave working capital under strain

The interaction between these percentage thresholds should be carefully considered by the Workgroup, rather than assuming the proposed 75% values without further assessment.

The Proposer agreed that the percentage thresholds involve trade-offs, noting that the figures proposed are indicative placeholders. They would be comfortable with an approach that allows discretion over replenishment levels, with specific thresholds to be considered further by the Workgroup.

An Action was taken on the NESO SME to provide worked/illustrative examples based on:

- the current situation, showing what the BSUoS price reset *might have looked like* if a four month and one week notice period applied, including the implied £/MWh impact.
- when a reset decision would have needed to be taken under a longer notice period, working back from the price cap timetable.

The Comparative illustrations would also highlight the trade-off between:

- Longer notice periods (earlier, more forecast led decisions with smaller certainty), and
- Shorter notice periods (later, more certain decisions but potentially larger price impacts).

The NESO SME caveated that these would be illustrative only, intended to aid discussion. **(Action 3)**

A Workgroup member queried whether there was scope under CMP474 to consider re-opening and reducing the fixed BSUoS rate in circumstances where costs are over recovered following a reset. Pointing out the potential of reopening events, a cautious reset could result in over recovery if cost pressures subsequently ease and questioned whether this scenario should be considered. The Proposer responded that the existing CUSC Section 14 is focused on increasing

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the fixed BSUoS rate where balancing costs rise, rather than reducing it where costs subsequently fall.

A Workgroup member asked whether there are alternative ways to address working capital pressures other than reopening the fixed BSUoS tariff. Tariff re-opening can be disruptive.

The Proposer provided clarity that CMP474 would place clearer expectations on NESO to provide timely and transparent market information where balancing costs are forecast to materially deplete working capital, including formal notification to the market. NESO would be expected to provide advance notice prior to any reset of the fixed BSUoS price, with the intention of improving predictability and aligning resets with the energy price cap timetable where possible. The approach is intended to allow NESO appropriate discretion when resetting the tariff, including flexibility over the level to which working capital is replenished, while continuing to monitor its financial position and ensuring it can meet payment obligations, within the existing CUSC.

A Workgroup member asked whether the issues raised by CMP474 relate solely to cash-flow timing or whether they are also driven by interactions with the energy price cap, noting that Suppliers are not made whole where BSUoS price changes occur after the price cap has been set. They queried whether recovery through later price cap periods could address this, or whether the primary concern is ensuring that BSUoS price resets are reflected in the relevant price cap period to avoid unrecovered costs. The Proposer explained that under current arrangements, any BSUoS price change implemented after the price cap is set results in unrecoverable costs for Suppliers, as there is no true up or reconciliation in subsequent price cap periods. Recovery in a later price cap period would only be possible if Ofgem were to change its price cap methodology, which is outside the scope of CMP474.

CMP474 focuses on aligning BSUoS price resets with the price cap timetable to minimise unrecovered costs, rather than addressing cash-flow impacts alone.

Terms of Reference

The Chair led the review of the Terms of Reference for the Workgroup, inviting members to suggest amendments or whether additional ones are needed.

A Workgroup member queried whether the Terms of Reference (d) were intended to apply just to domestic customers or non-domestic. The Workgroup agreed to consider both and include in the Workgroup Report.

The Workgroup discussed terms of reference point (f) and the threshold level for working capital. The NESO SME highlighted that while the Workgroup can discuss the issue and provide views, it is not within the remit of the Workgroup to determine or set a specific working capital threshold, noting the role of the Workgroup is to consider the issue, discuss relevant factors and ensure that views are appropriately captured within the Workgroup Report as part of solution.

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The Workgroup agreed that the approach would be to consider and document views on the working capital threshold without seeking to define or determine a specific value.

A Workgroup member queried whether an additional terms of references was needed for the Proposer to provide a scenario in which tariffs should not be reopened or in effect for a 15 month notice period (**Action 4**).

The Workgroup made no amendments to the Terms of References, but considerations above will be documented into the Workgroup Report.

Cross Code Impacts

The Proposer advised that CMP474 should mainly be considered alongside CMP475, as it is the only other urgent BSUoS related modification in flight.

Specifically, noted that:

- one aspect of CMP475 allows NESO to recover additional working capital within a charging period, which could have similar effects to CMP474 in practice.
- While the approaches taken by the two modifications are different, they could both influence NESO’s ability to manage working capital and recover costs.
- the interaction should be acknowledged and monitored but did not consider CMP475 would change what CMP474 is trying to achieve.

The Chair advised that the CMP475 interaction will be captured explicitly in the Workgroup Report, with a short explanation of how CMP474 and CMP475 may overlap in effect while remaining distinct in scope and design.

Legal Text

The Proposer anticipates the only amendment to the CUSC will be Section 14.

Next Steps

The Chair advised the next Workgroup is scheduled for 07 May.

Actions

For the full action log, click [here](#).

Action Number	Workgroup Raised	Owner	Action	Due by	Status
1	WGI	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.	WG2	Open

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2	WGI	GE	Provide detail and rationale supporting percentage thresholds (the proposed 75% working capital trigger) and the four month and one week minimum notice period	WG2	Open
3	WGI	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.	WG2	Open
4	WGI	GE	Consider a possible situation in which tariffs should not be reopened or in effect for a 15 month notice period.	WG2	Open

Public Attendees

Name	Initial	Company	Role
Catia Gomes	GC	NESO	Chair
Tammy Meek	TM	NESO	Technical Secretary
Gregory Edwards	GE	Centrica	Proposer
Alex Curtis	AC	NESO	SME
Andrew Colley	AnC	SSE	Workgroup member Alternate
Damian Clough	DC	SSE	Workgroup member
David Tooby	DT	Ofgem	Authority Representative
Enmanuel Morales	EM	Brook Green Supply	Observer
Gareth Evans	GE	Waterswye	Workgroup member
Hugh Boyle	HB	EDF Energy	Workgroup member
James Knight	JK	Centrica	Proposer Alternate
Karl Maryon	KM	Drax	Workgroup member
Komal Brown	JB	ScottishPower	Workgroup member Alternate
Laide Adekanle	LA	ScottishPower	Workgroup member Alternate
Louise Hellyer	LH	TotalEnergies	Workgroup Member
Martin Cahill	MC	NESO	SME
Nick Everitt	NE	NESO	SME
Pawel Czarnowski	PC	ScottishPower	Workgroup member
Robert Cameron-Higgs	RCH	Ecotricity	Observer