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# Code Administrator Meeting

## Summary

Workgroup Meeting 2: CMP474: Fixed BSUoS Price Revision Mechanism

**Date:** 07 May 2026

### Contact Details

Chair: Catia Gomes, [catia.gomes@neso.energy](mailto:catia.gomes@neso.energy)

Proposer: Gregory Edwards, [gregory.edwards@centrica.com](mailto:gregory.edwards@centrica.com)

### Key areas of discussion

The Chair set out the agenda, which covered Actions and Proposer’s update of the Solution. Click [here](#) to view the slide pack.

### Actions

- Action 1 Closed. The Proposer provided a worked example explaining three months period would be the latest point at which a BSUoS fixed price reset can be implemented from January to March 2027 and 2 months for October to December 2026. Further details can be seen on slide 17 [here](#) .
- Action 2 Closed. The Proposer altered their solution so that working capital trigger would be 50% explaining that this level provides Suppliers with early, actionable information before material risk crystallises, while still avoiding unnecessary or noise-driven alerts.
- Action 3 Closed. The NESO SME provided examples on the 4 month and 1 week minimum notice period. However, the solution has been amended as mentioned in Action 1 above. This is to be reworked, under new Action 6
- Action 4 Closed. The Proposer believed this to be out of scope of CMP474.

### Proposer’s Update

#### Solution Part 1 – BSUoS Fixed Tariff Periods and Price Cap Periods

The Proposer advised the Original solution proposes an early market notification where NESO forecasts that BSUoS working capital utilisation may exceed a defined threshold. They explained that the aim is to provide advance visibility rather than to indicate that a tariff reset will occur. A trigger of 50% forecast utilisation was proposed, based on the same internal forecast used by NESO for monitoring and engagement with Ofgem, to ensure consistency. Where the trigger is met, NESO would publish a market notice setting out specified information, including assumed working capital levels, forecast utilisation, indicative impacts and whether exhaustion of the facility is expected. The notice would be informational only and would not commit NESO to resetting tariffs.

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The NESO Representative queried what data information sharing changes were required advising NESO currently publish weekly reports showing maximum available headroom and forecast positions. The Proposer advised no additional forecasting was being proposed. Instead, the requirement was for NESO to publish a formal notice to the market when it forecasts that working capital utilisation will exceed 50%, clearly setting out specified information in that notice. Clarity and consistency in communication was needed. Existing market notice channels are sufficient such as email notices and website publication.

A Workgroup member queried whether the market notice issued following the 50% working capital utilisation trigger would include the specific forecast level of utilisation, rather than a binary indication that the threshold had been exceeded. Visibility of increasing utilisation levels could affect market behaviour. The Proposer acknowledged the point and confirmed that the notice could include the forecast utilisation value, with updated information provided on a continuing basis while utilisation remained above the trigger, and that this could be incorporated into the proposed requirements.

The NESO Representative suggested that the notice should clarify whether the working capital facility was expected to be exhausted or not and that this should be framed conditionally. It would be helpful to add "if" NESO expected the facility to be exhausted, as there could be scenarios where forecasts exceed the 50% utilisation trigger but then recover without the facility being exhausted. This would mean a tariff reset might not be required. The Proposer agreed.

### Solution Part 2 - Notice Period

The Proposer clarified the proposed enduring approach requires a minimum of 3 months' notice ahead of the start of a quarterly price cap period. This will ensure alignment with Ofgem's price cap process and provide Suppliers with adequate time to respond. Tariff resets should only occur at the start of a price cap period and apply for its full duration, rather than being implemented mid-period, noting transitional arrangements for the initial implementation period and that the Proposal is intended for non-BAU circumstances.

The NESO SME advised NESO previously supported a 3 month notice period for setting tariffs, but on the basis of also having a 5 day tariff reset methodology in the CUSC. The current 5 day notice provision was intended as a backstop for extreme circumstances and highlighted the need to ensure that the proposed solution would not introduce new defects or unduly limit flexibility or restrict NESO's ability to respond to other potential cashflow scenarios.

The Proposer acknowledged these points, clarifying that the Original solution was targeted at a specific identified defect rather than all possible future scenarios and that it did not prevent NESO from reopening tariffs where necessary. The Proposer's view was that CMP474 aligns with prior modifications where a 3 month notice period had been considered an appropriate balance between forecasting accuracy and supplier certainty for setting tariffs.

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The NESO Representative noted an example where under the proposed arrangements, a significant change in forecast early in April could mean that tariffs could not be reset for the forthcoming July–September price cap period, with the next opportunity to reset tariffs not occurring until October. The Proposal could result in a delay of close to 6 months before tariffs could be adjusted, which could be material where there has been a substantial deterioration in the forecast position.

The Proposer responded that such a scenario would be unlikely. Tariffs are set on the basis that the year starts with minimal working capital utilisation and a forecast deterioration requiring exhaustion within a short period would indicate a significant non-BAU event. The Proposer considered this notice period appropriate.

The Proposer further added that Suppliers bear the cashflow and credit risk associated with BSUoS, and that abrupt tariff changes could exacerbate Supplier financial stress. Increased tariffs could trigger credit cover breaches and earlier payment obligations, reinforcing the need for sufficient notice to mitigate market impacts.

The NESO SME acknowledged that Suppliers ultimately bear the cashflow risk associated with BSUoS but pointed out that NESO also bears short term cashflow risk. This can be through managing over and under recovery and meeting payment obligations, with the working capital facility intended to manage this exposure. While the risks are different in nature, both Suppliers and NESO face financial impacts in the short term.

A Workgroup member pointed out that NESO hold all the risk for running the system but the Transmission Owners and Distribution Network Operators have all the revenue and zero risk. Queried whether there was any potential of them holding the cash flow risk?

A Workgroup member queried whether NESO could provide concrete examples of scenarios where a very short notice period had been required, to better evidence the need for flexibility. They further questioned whether the existing £300m working capital facility remained adequate, noting that if constraints persisted, tariff resets could become more routine rather than exceptional. The need for a solution that was workable for Suppliers and customers, particularly non-domestic customers who bear costs immediately, and stressed the importance of sufficient notice to allow engagement, system changes and customer communication.

The Proposer pointed out that the proposal is not dependent on the £300m working capital limit, as it would remain applicable if the assumed level of working capital changed.

A Workgroup member suggested that analytical evidence would be helpful to support the proposal such as assessing the likelihood of tariffs needing to be reopened at different points in time (e.g. 3 months, 2 months, or shorter notice) potentially expressed in probabilistic terms. This could help illustrate the trade-offs and benefits of the proposed notice periods. The NESO Representative took an Action but advised due to the timeline constraints, the level of data and information provided may not be possible **(ACTION 5)**.

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### Solution Part 3 – Specify BSUOs Working Capital Facility utilization floor if revision of the Fixed BSUOs Price is necessary

The Proposer outlined that, where tariffs are reset, only a defined level of working capital utilisation should be recovered, ensuring NESO retains an appropriate buffer. The proposed reset should retain at least 25% headroom for a single quarter, and 50% headroom where tariffs are reset for a full fixed tariff period, to support resilience and avoid over-recovery.

### Enduring arrangements for the January – March 2027 price cap

The Proposer explained the Original solution assumes working capital requirements are broadly spread across the year, with 25% required per quarter. On this basis, where tariffs are reset for a single quarterly price cap period, utilisation should be capped at 75%, and where tariffs are reset for a full 6 month fixed tariff period, utilisation should be capped at 50%, providing an ongoing buffer ahead of subsequent periods.

The NESO Representative asked where tariffs are reset for the full fixed tariff period (two price cap periods), the Proposal means that NESO would reset tariffs so that working capital utilisation is brought back to 50% (i.e. retaining 50% headroom), rather than fully recovering the utilised balance.

The Proposer clarified that the Original solution sets a floor rather than a target, meaning that tariffs should not be reset in a way that reduces utilisation below the specified level, but higher utilisation could occur in-period. The intent is to limit the extent of replenishment when tariffs are reset, to retain an appropriate buffer while minimising market disruption, with the utilisation limit assessed at the point of tariff setting rather than as an ongoing constrain.

Following the Proposer’s updated solution presentation the Workgroup confirmed there was no intention to raise an Alternative Request at this stage.

### **Notice Period Impact – Example (Action 3)**

The NESO Representative presented a worked example illustrating how, under a longer notice period, NESO might consider resetting tariffs where forecasts showed working capital utilisation reaching or exceeding 100% to mitigate the risk of further deterioration before a reset could be implemented.

The Proposer challenged this interpretation, questioning why a tariff reset would be required at 100% utilisation, noting that the Original solution does not mandate action at that level and does not introduce a hard trigger linked to full utilisation. The solution preserves NESO’s discretion to consider all available funding sources when deciding whether a reset is necessary and queried whether the example implied a requirement that was not contained within the proposal.

The NESO Representative responded that the example was illustrative rather than prescriptive and had not assessed all potential funding sources in detail.

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A Workgroup member asked whether the decision to reopen tariffs in the worked example was intended to be automatic once working capital utilisation reached a particular level, or whether it would remain a matter of judgement based on qualitative and quantitative factors.

The NESO SME noted that the worked example was intended to illustrate how a longer notice period could reduce NESO's flexibility and potentially lead to earlier consideration of tariff resets, rather than to imply any automatic trigger based on utilisation levels. The example reflected the current situation only and emphasised the importance of recognising that different scenarios could arise in future.

The Workgroup Report should clearly record that the examples annexed are illustrative and that decisions to reset tariffs would remain judgement based, and that the potential impacts of reduced flexibility under longer notice periods should be explicitly captured.

The NESO Representative presented the worked example based on the forecast position at mid-April, showing that NESO was projecting working capital utilisation to exceed available limits later in the tariff period (Slide 24). Under a longer notice period, NESO might need to consider resetting tariffs earlier to manage the risk of exhaustion before changes could be implemented. The example illustrated how revised tariffs could increase BSUoS rates in-period to restore headroom, with assumptions made regarding recovery to a specified utilisation level, while emphasising that the scenario was illustrative and intended to demonstrate the potential implications of notice period constraints rather than to prescribe decision-making

The Chair requested that the NESO rework the Worked Examples based on the Proposer's updated solution **(Action 6)**

A Workgroup member asked how the proposed arrangements would operate in an extreme scenario where a very large, unforeseen cost event rapidly exhausted the working capital facility, querying whether the existing 5 day notice period was intended to address such situations.

The NESO SME explained that the 5 day notice provision was specifically designed as a backstop for extreme and unexpected events, noting that while it would not be used routinely, it provides protection against sudden, significant cost shocks. NESO has early visibility of costs through operational reporting ahead of settlement, allowing short term cashflow risks to be managed. The 5 day notice was retained to ensure resilience in such exceptional circumstances. The NESO SME took an action to Provide illustrative analysis comparing fixed BSUoS recovery with actual balancing cost outturns since fixed tariffs were introduced, including the impact of operating in over recovery versus a neutral cash position **(Action 7)**.

The Workgroup noted that the underlying issue relates to the working capital facility but acknowledged this was out of CMP474 scope. The Workgroup also noted that NESO cannot be in

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a position to become insolvent making the difficult choice whether the Suppliers then get the cash flow risk. The Workgroup recognised that broader discussions regarding working capital are likely to continue if there are issues with there not being enough buffer.

## Cross Code Impacts

The Proposer noted that there is some overlap between CMP474 and CMP475 in relation to how working capital utilisation is treated when tariffs are reset. CMP474 proposes explicit limits on the level of utilisation that may be factored into a reset tariff, whereas CMP475 considers similar issues without specifying numerical thresholds. While the modifications address related issues, they target different defects and should be considered separately with any interaction recorded clearly in the report.

## Next Steps

The Chair advised the next Workgroup is scheduled for 10 May where the Workgroup will look at the Workgroup Consultation in draft.

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## Actions

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

Action Number Raised	Workgroup	Owner	Action	Due by	Status
1	WG1	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	Closed
2	WG1	GE	Provide detail and rationale supporting percentage thresholds (the proposed 75% working capital trigger) and the 4 month and 1 week minimum notice period	WG2	Closed
3	WG1	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	Closed

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4	WG1	GE	Consider a possible situation in which tariffs should not be reopened or in effect for a 15 month notice period.	WG2	Closed
5	WG2	MC	Consider analysis of the likelihood of tariff reopening at different notice periods, to illustrate the trade-offs and benefits of the proposed approach.	WG3	Open
6	WG2	MC	Rework the Worked Examples based on the Proposer's updated solution	WG3	Open
7	WG2	NE	Provide illustrative analysis comparing fixed BSUoS recovery with actual balancing cost outturns since fixed tariffs were introduced, including the impact of operating in over recovery versus a neutral cash position	WG3	Open

## 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

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Hugh Boyle	HB	EDF Energy	Workgroup member
James Knight	JK	Centrica	Proposer Alternate
Karl Maryon	KM	Drax	Workgroup member
Katie Clark	KC	NESO	NESO Representative
Louise Hellyer	LH	TotalEnergies	Workgroup Member
Martin Cahill	MC	NESO	SME
Nick Everitt	NE	NESO	SME
Pawel Czarnowski	PC	ScottishPower	Workgroup member
Ryan Baldwin	RB	NESO	Observer