

CMP474: Fixed BSUoS Price Revision Mechanism

Workgroup 3, 11 May 2026

Online Meeting via Teams

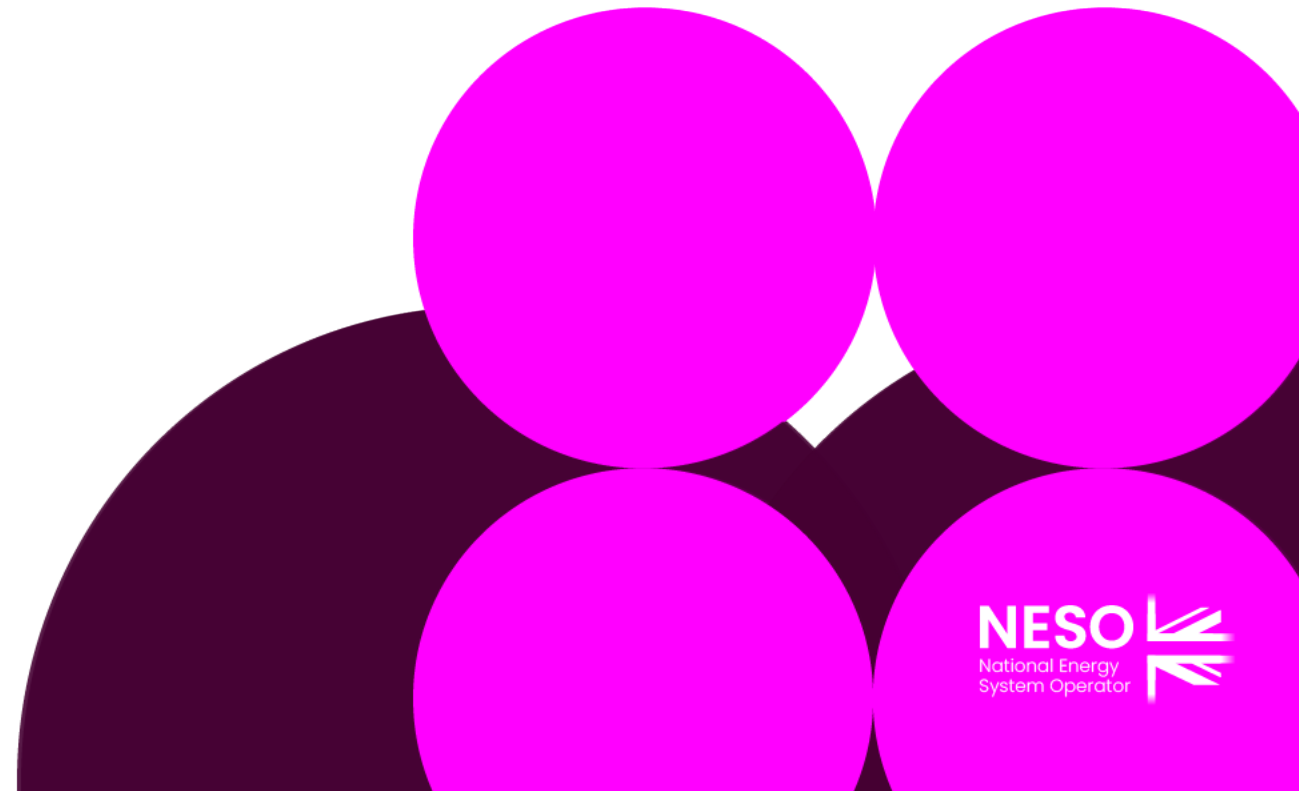
WELCOME

Agenda

Topics to be discussed	Lead
Workgroup Responsibilities and Expectations	Chair
Objectives and Timeline	Chair
Action Log Update	Chair
Proposer's Solution Update	Proposer
Worked Examples Update	NESO SME
Workgroup Consultation	Chair
Legal Text	NESO SME
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

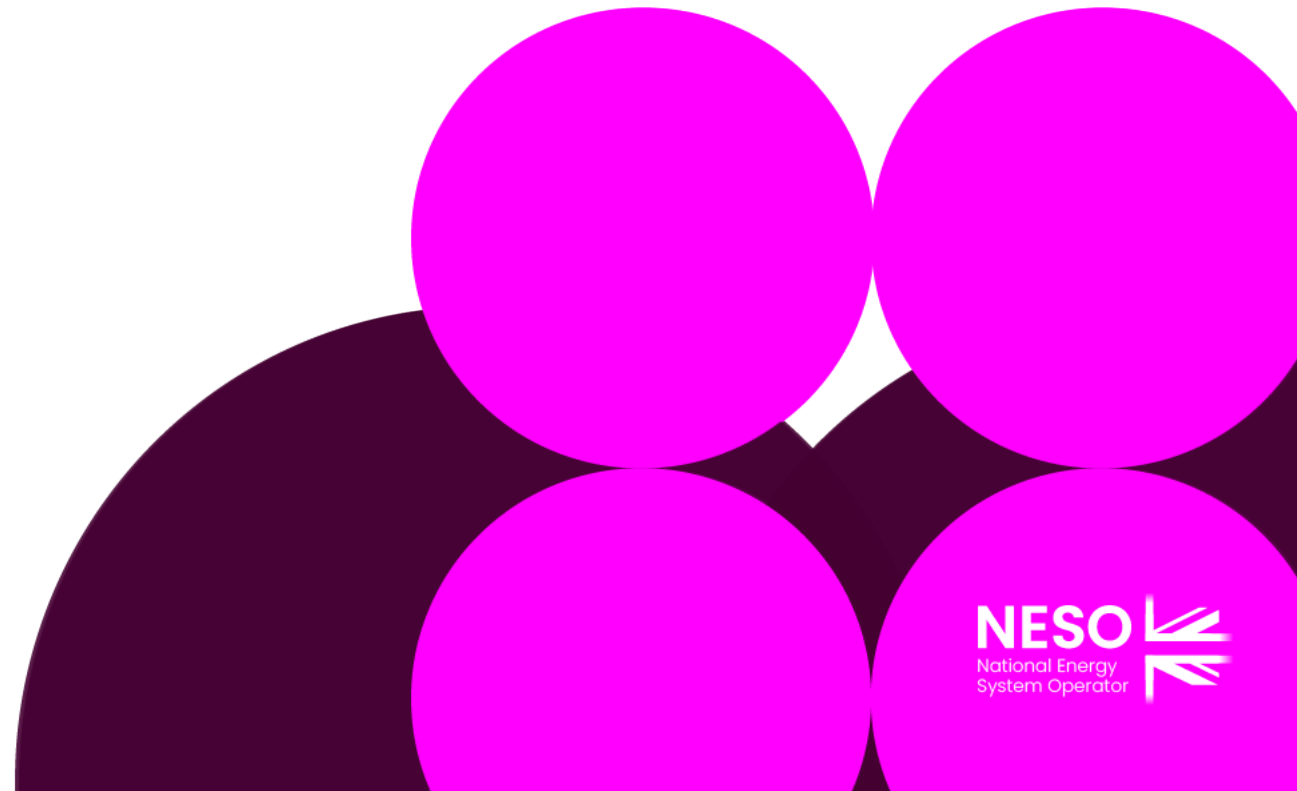
Role	Name	Company	Industry Sector
Proposer	Gregory Edwards	Centrica	
Workgroup Member	Damian Glough	SSE	Generator
Workgroup Member	Gareth Evans	Waters Wye	Other
Workgroup Member	Hugh Boyle	EDF Energy	Supplier
Workgroup Member	Karl Maryon	Drax	Supplier
Workgroup Member	Louise Hellyer	Totalenergies	Supplier
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

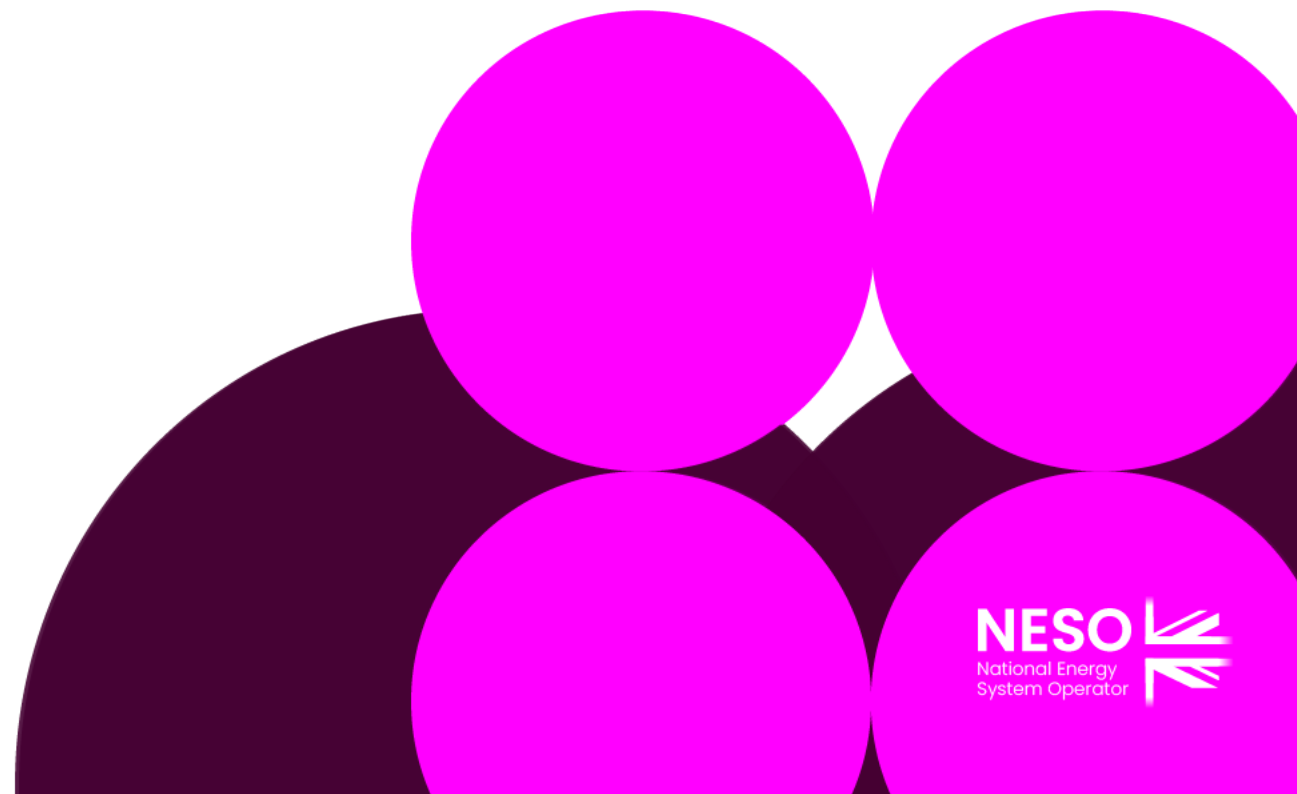
To update the solution if required and discuss possible alternatives

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

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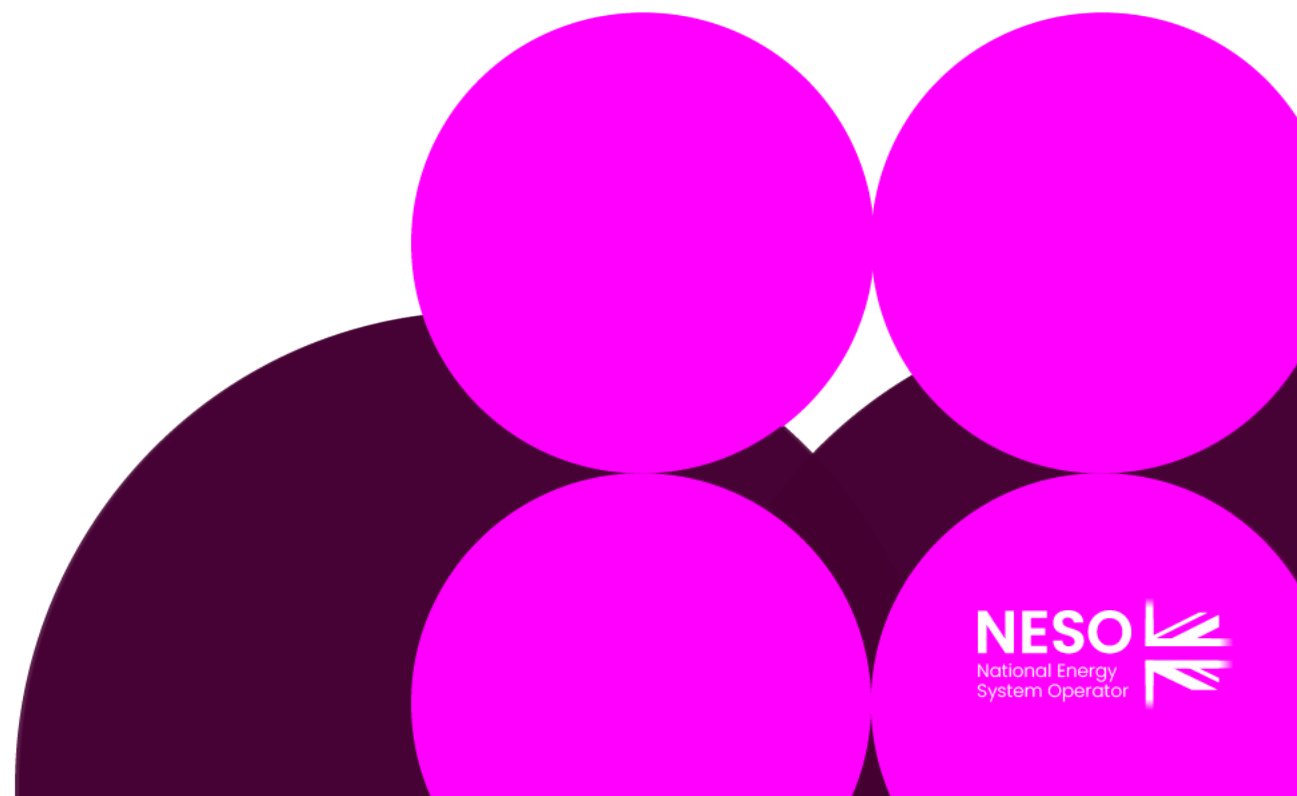


Actions Log

Action Number	Owner	Action	Status
5	MC	Consider analysis of the likelihood of tariff reopening at different notice periods, to illustrate the trade-offs and benefits of the proposed approach.	Open
6	MC	Rework the Worked Examples based on the Proposer's updated solution	Open
7	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	Open

Proposer's Solution Update

Gregory Edwards, Centrica



centrica

CMP474

Fixed BSUoS Price
Revision Mechanism

Workgroup meeting 3

11 May 2026



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 Forecast utilisation of the BSUoS Working Capital Facility at the time of publication of the notice. 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.

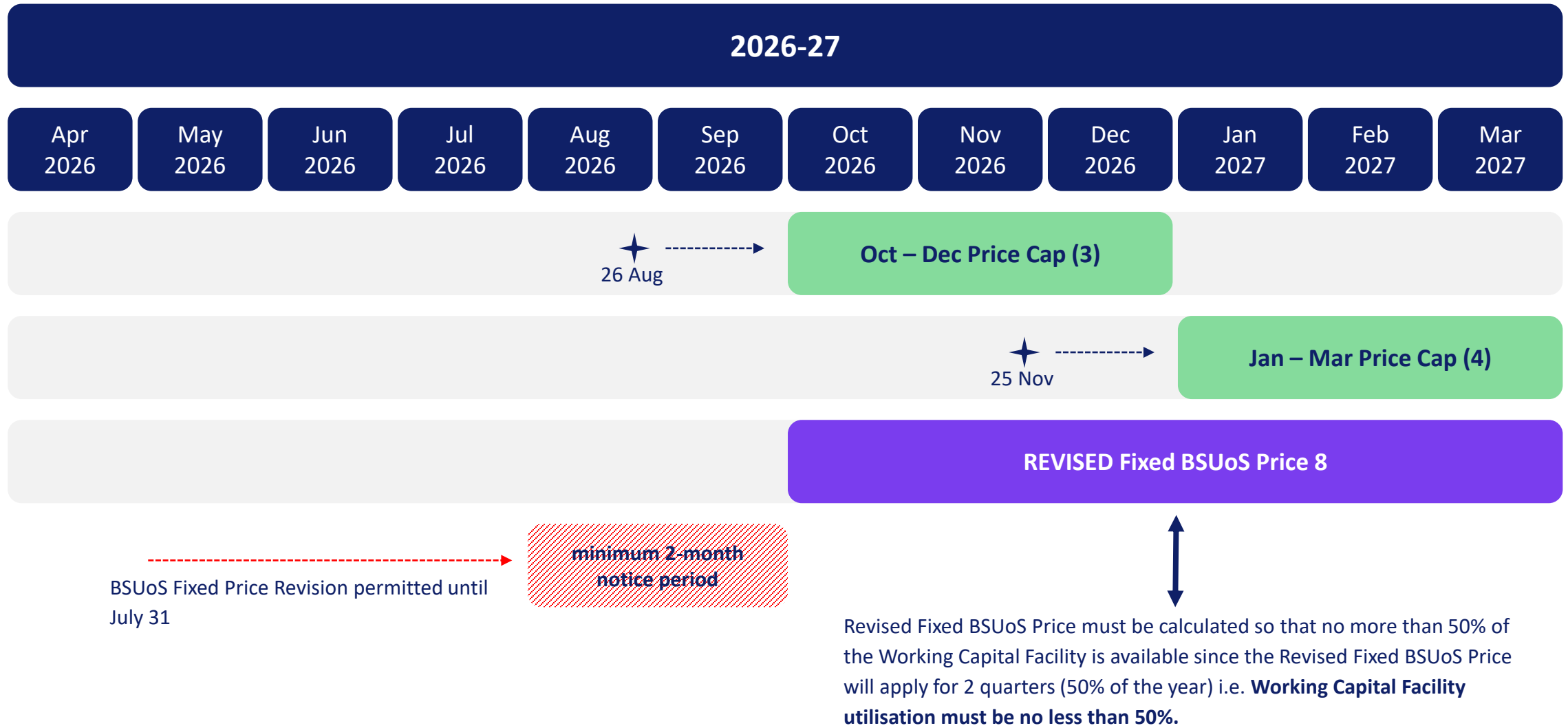
Solution part 2: specify the minimum notice period for revising the Fixed BSUoS Price (2)

	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. 		

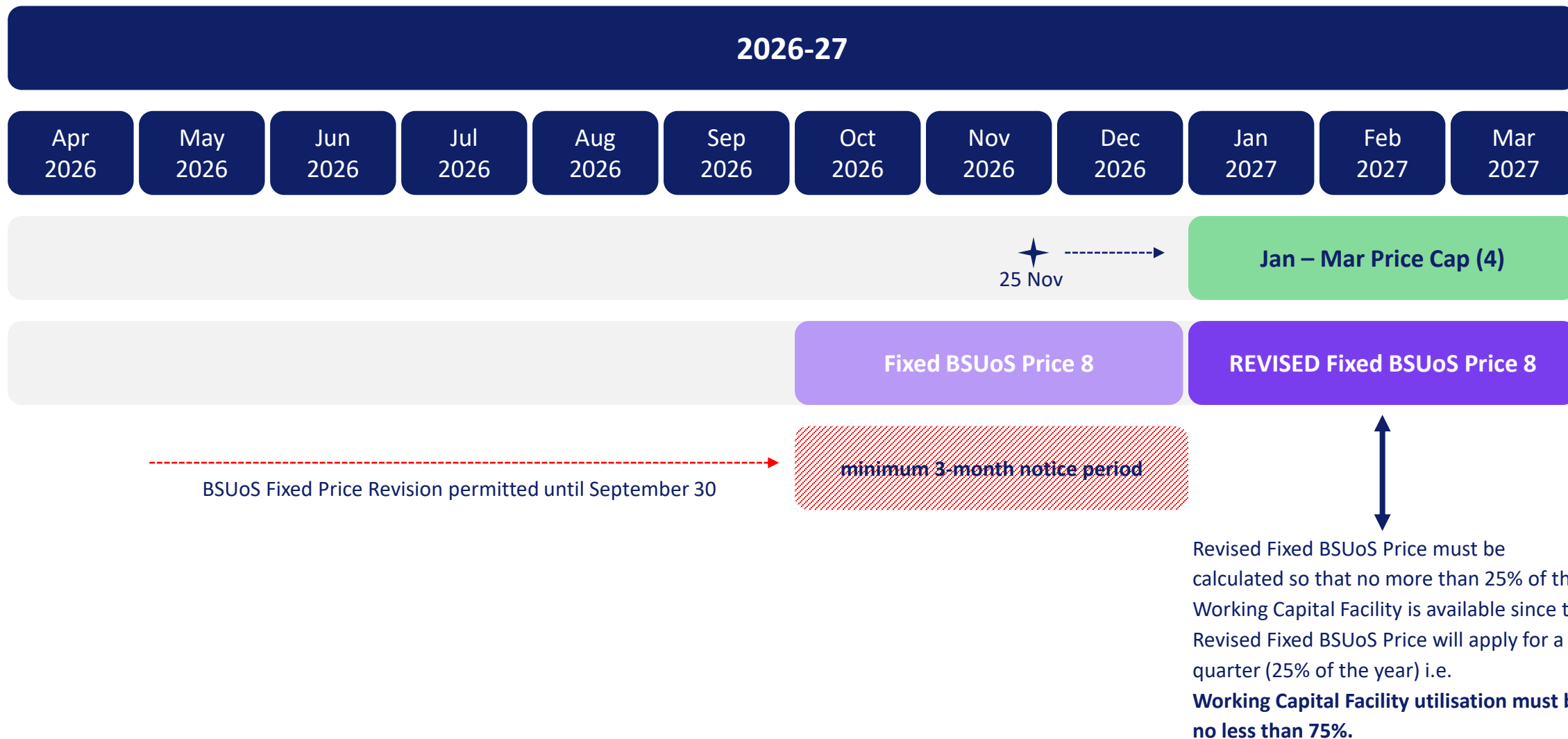
Solution part 3: specify BSUoS Working Capital Facility utilisation floor if revision of the Fixed BSUoS Price is necessary

	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)

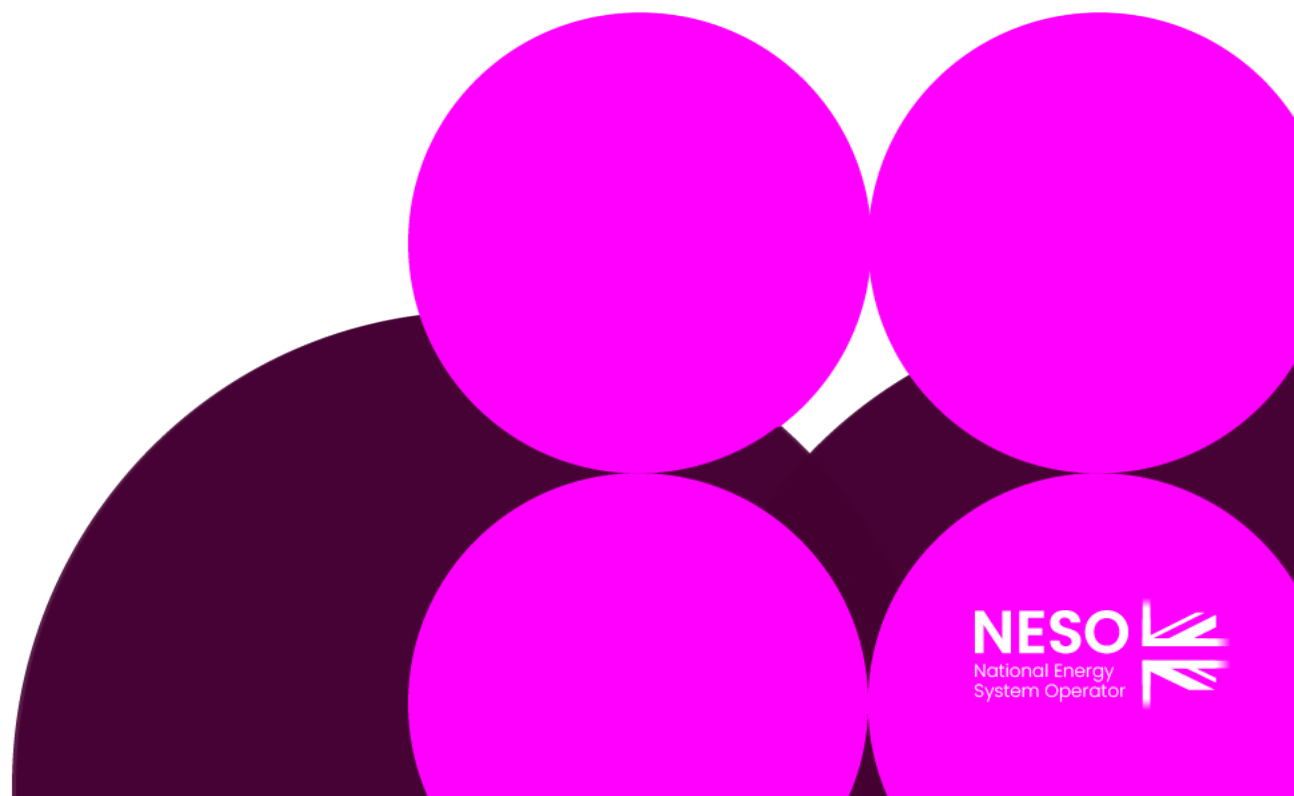
Gregory Edwards (Gregory.Edwards@centrica.com)

Gareth Evans (Gareth@waterswye.co.uk)

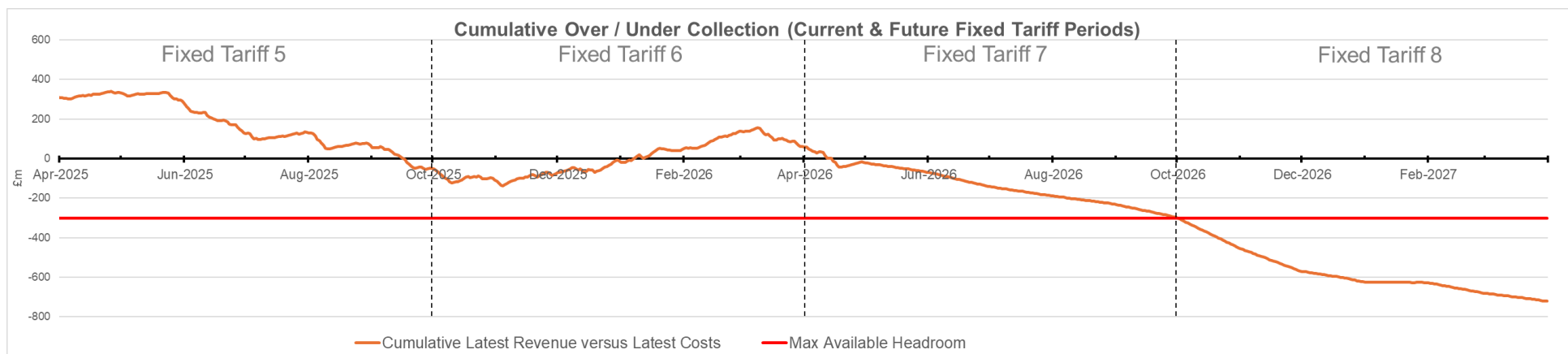


Worked Examples (Action 6)

Martin Cahill – NESO

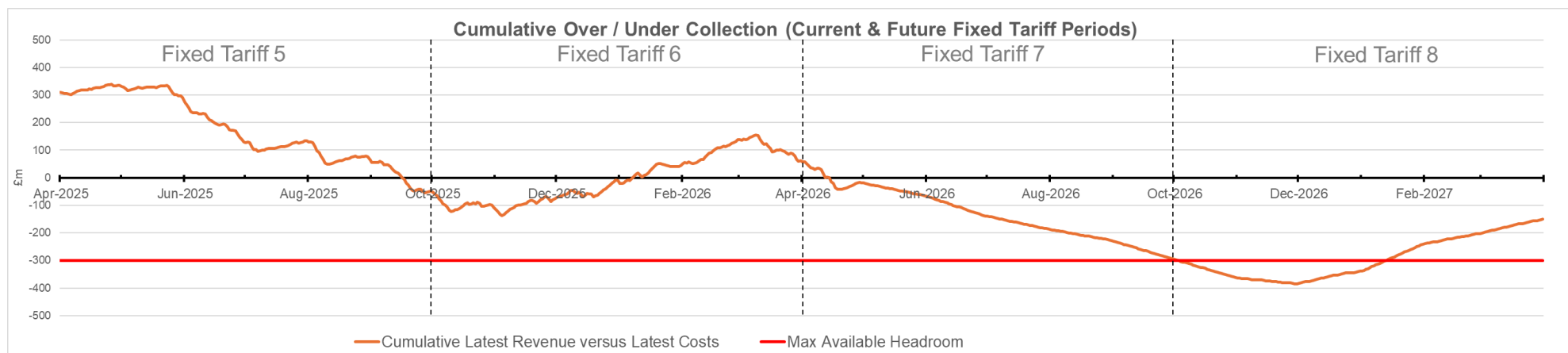


Transitional Arrangements – 2 Months Notice



- **Note that if CMP474 is approved there will initially be transitional arrangements**
- **Transitional Arrangements give 2 month notice period, so last point for resetting tariff 8 will be July**
- Update to show reset in June for whole of fixed tariff 8, recovered to 50% utilisation (as updating two price cap periods)
- Note that while it Fixed Tariff Period 7 current forecast looks acceptable, a significant reduction in the actual balance compared to forecast could present a risk which could not be addressed through a tariff reset

Tariff Reset in Period 8 Impact



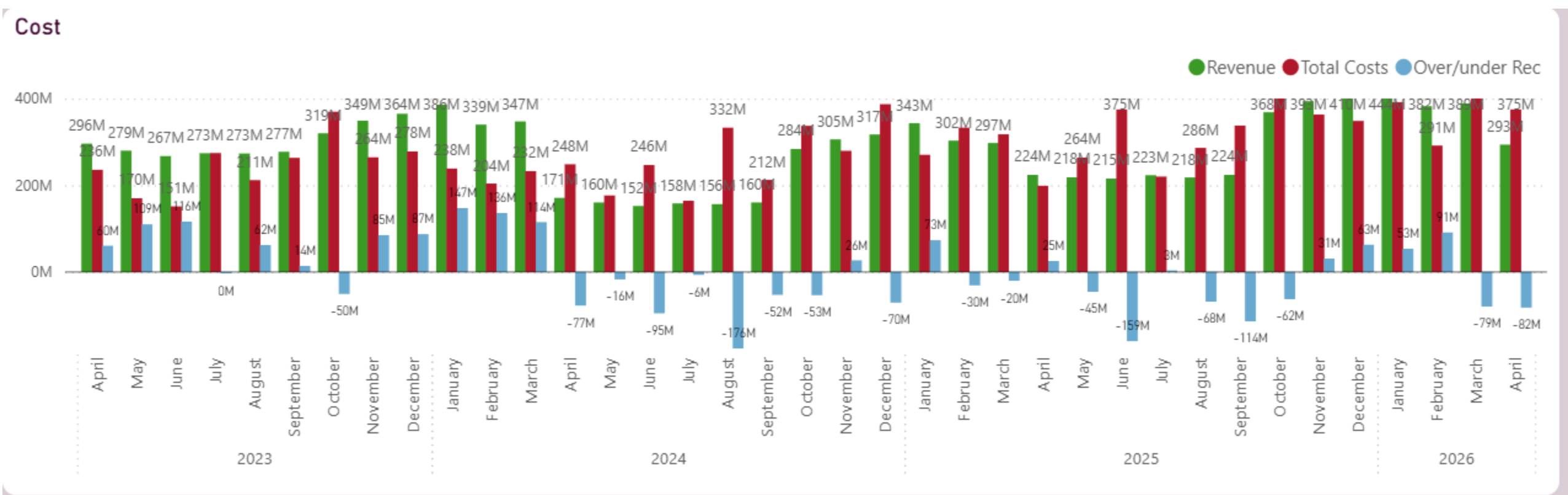
Assumptions:

- Apply updated tariff for Fixed Period 8 for entirety of period
- Recovery position to 50% as spanning two price cap periods (BSUoS Working Capital Facility Utilisation Floor)
- Updated Fixed Tariff 8 = £16.39/MWh
- Original Fixed Tariff 8 = £12.49/MWh
- Increase = £3.90/MWh

Analysis (Actions 5 and 7)

Martin Cahill– NESO

Actual Balancing Costs vs Fixed BSUoS

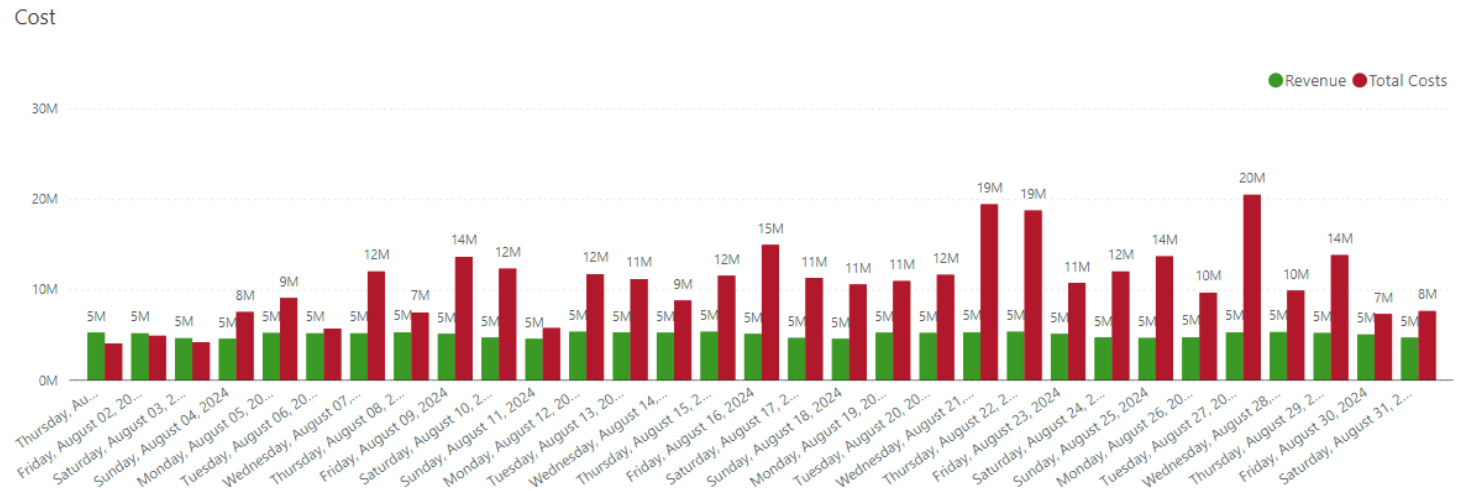
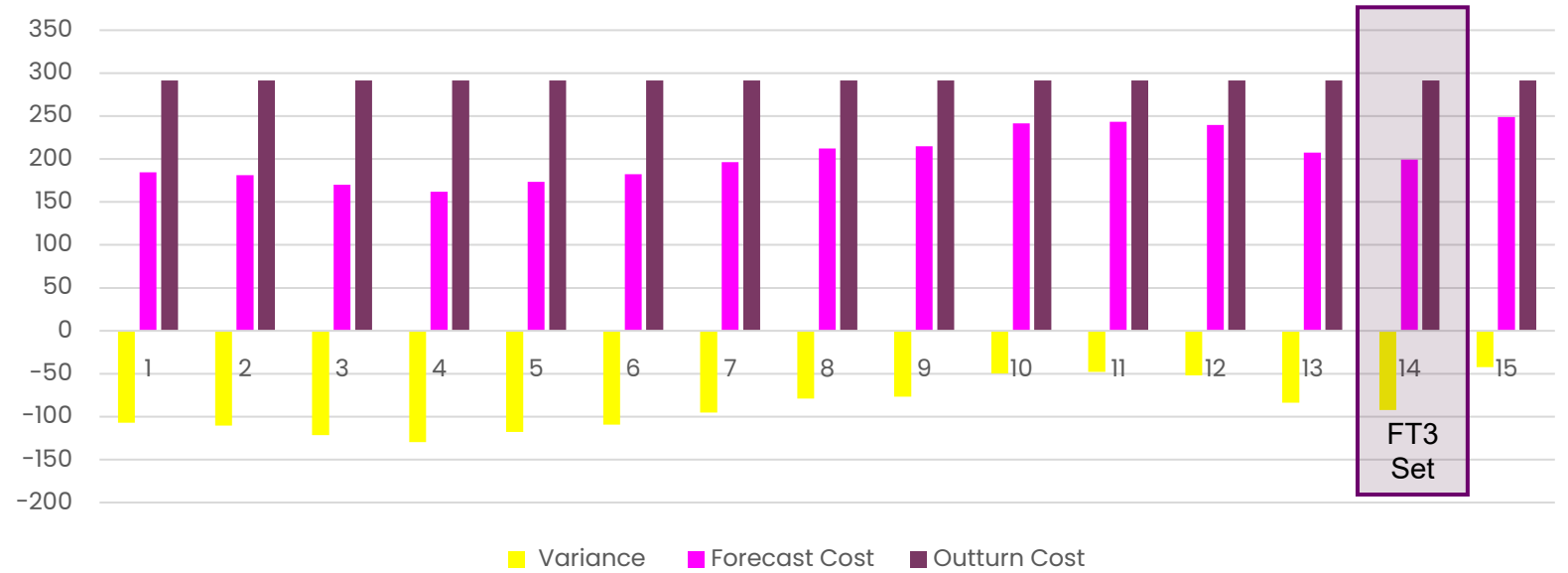


August 2024

There was a 46% increase in overall wind generation compared to July and storm conditions brought particularly strong winds to North England and Scotland later in the month.

Notably, the remnants of Hurricane Ernesto on 21 and 22 August, and Storm Lilian on 23 August brought strong winds across GB, pushing up constraint volumes in the second half of the month.

Balancing Cost Forecast Variance by Months Ahead
August 2024

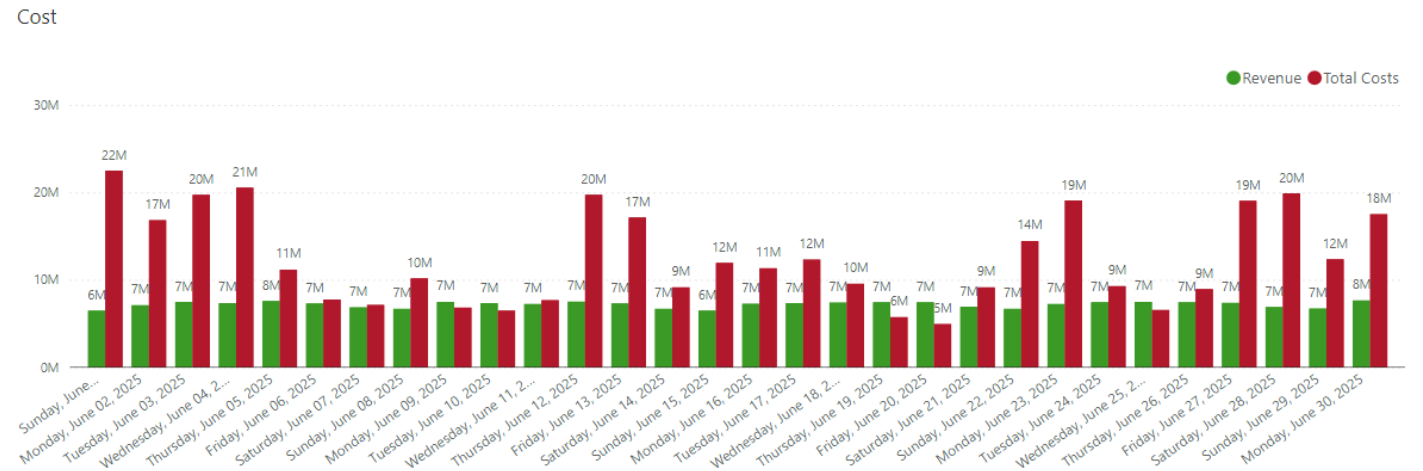
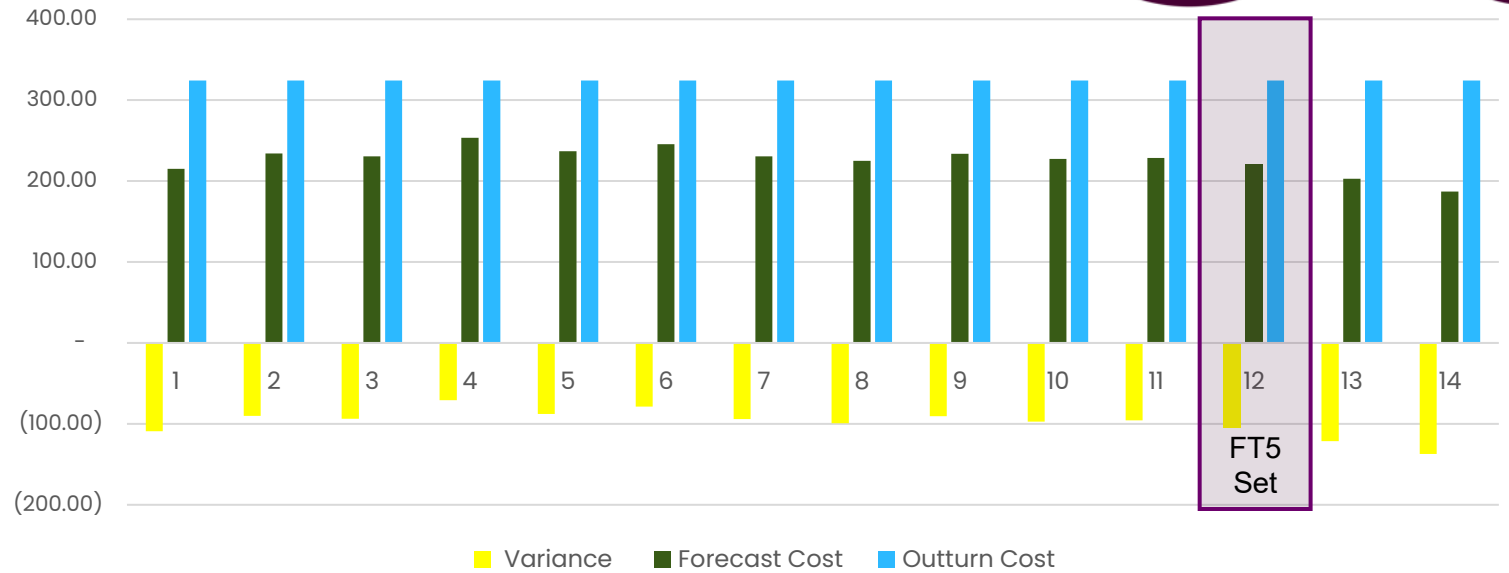


June 2025

June's wind outturn was the highest recorded June wind outturn over the last seven years, and around 1.5TWh higher than the second highest outturn (June 2024 at 3.9TWh)

54% of demand met by renewables

Balancing Cost Forecast Variance by Months Ahead
June 2025

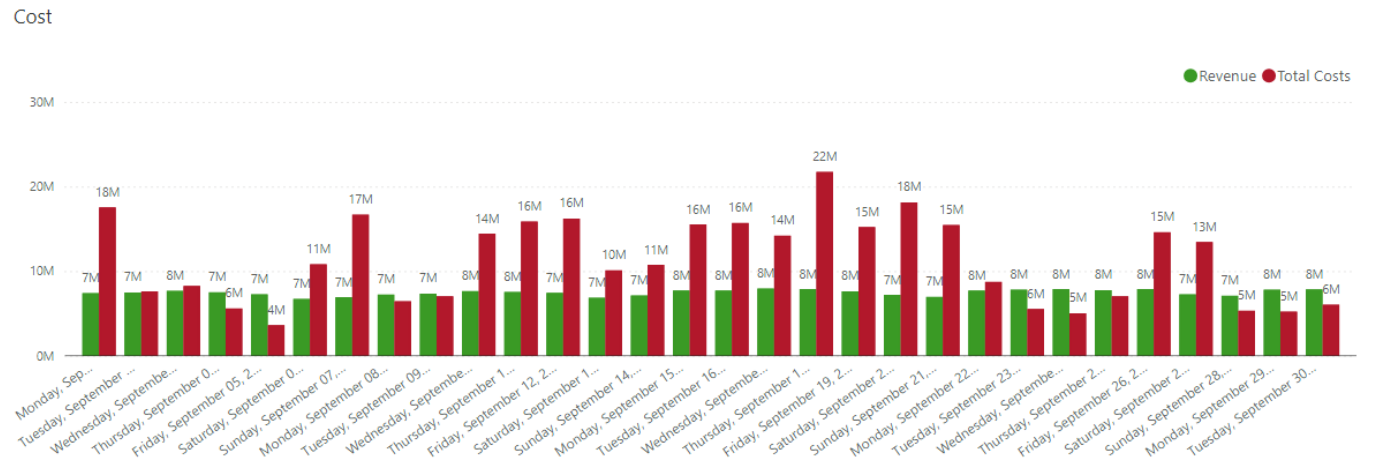
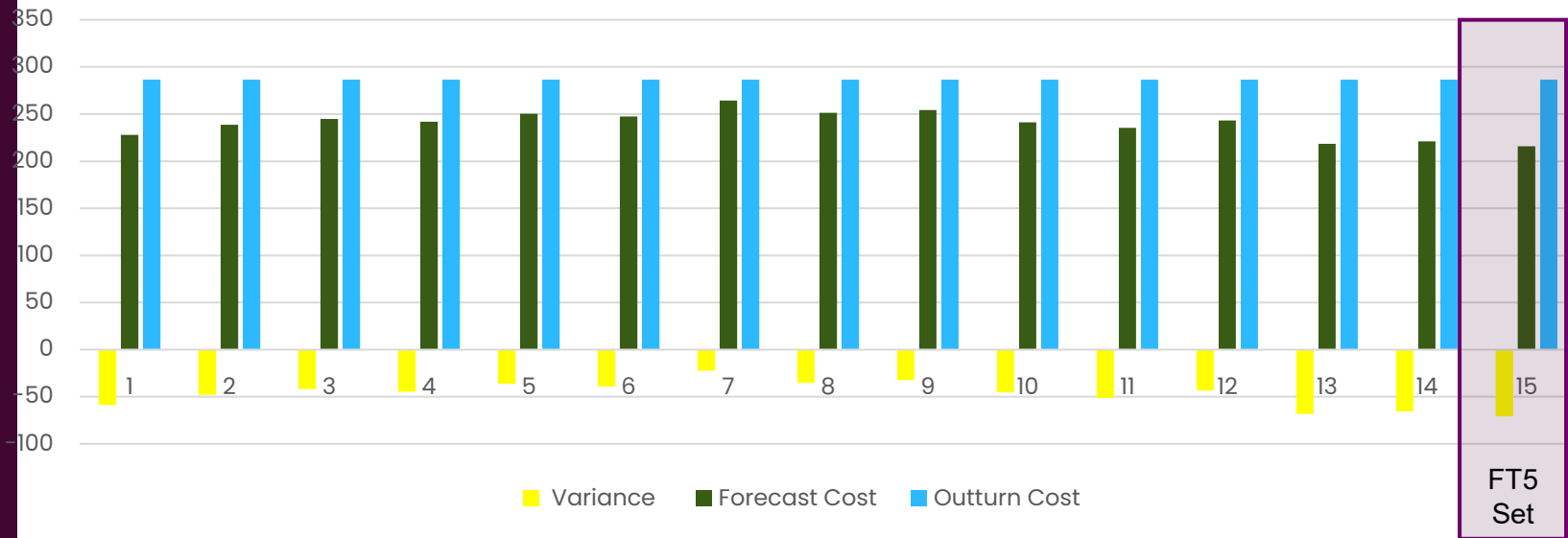


September 2025

Proportion of demand met by renewables in September 2025 was 52%, compared to a month ahead forecast of 44%.

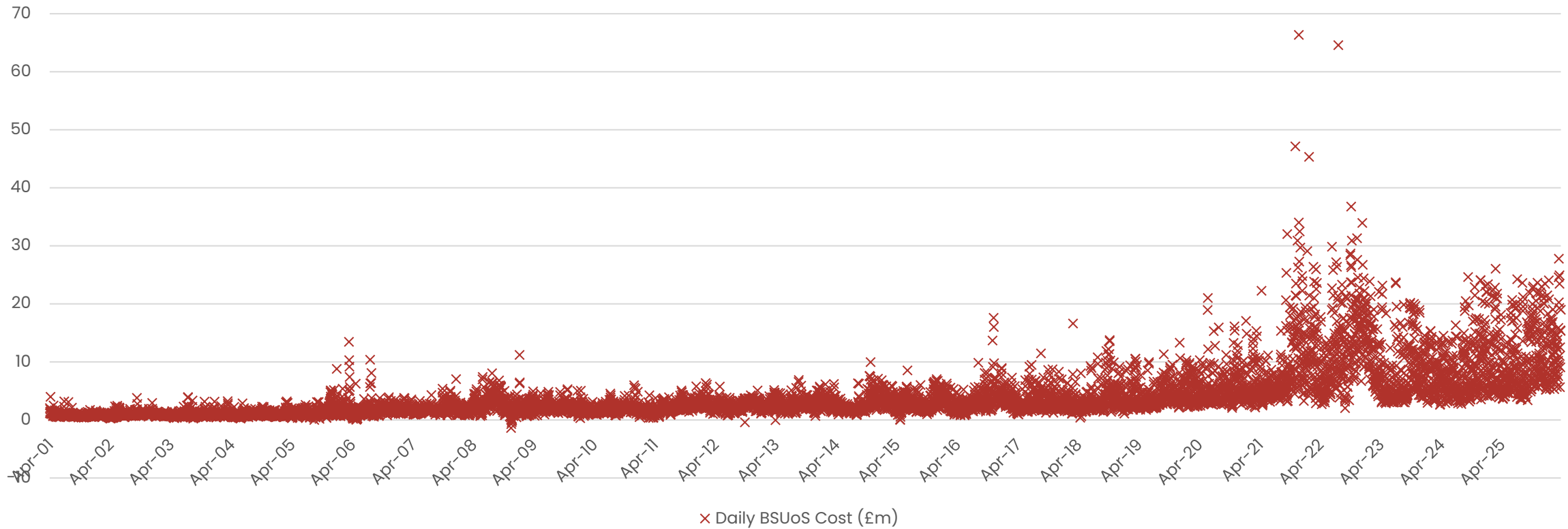
Several periods of unsettled weather, including strong wind levels, led to a notable rise in wind curtailment volumes compared to August; there were consequently more high costing days, which together accumulated to higher overall costs for the month

Balancing Cost Forecast Variance by Months Ahead
September 2025



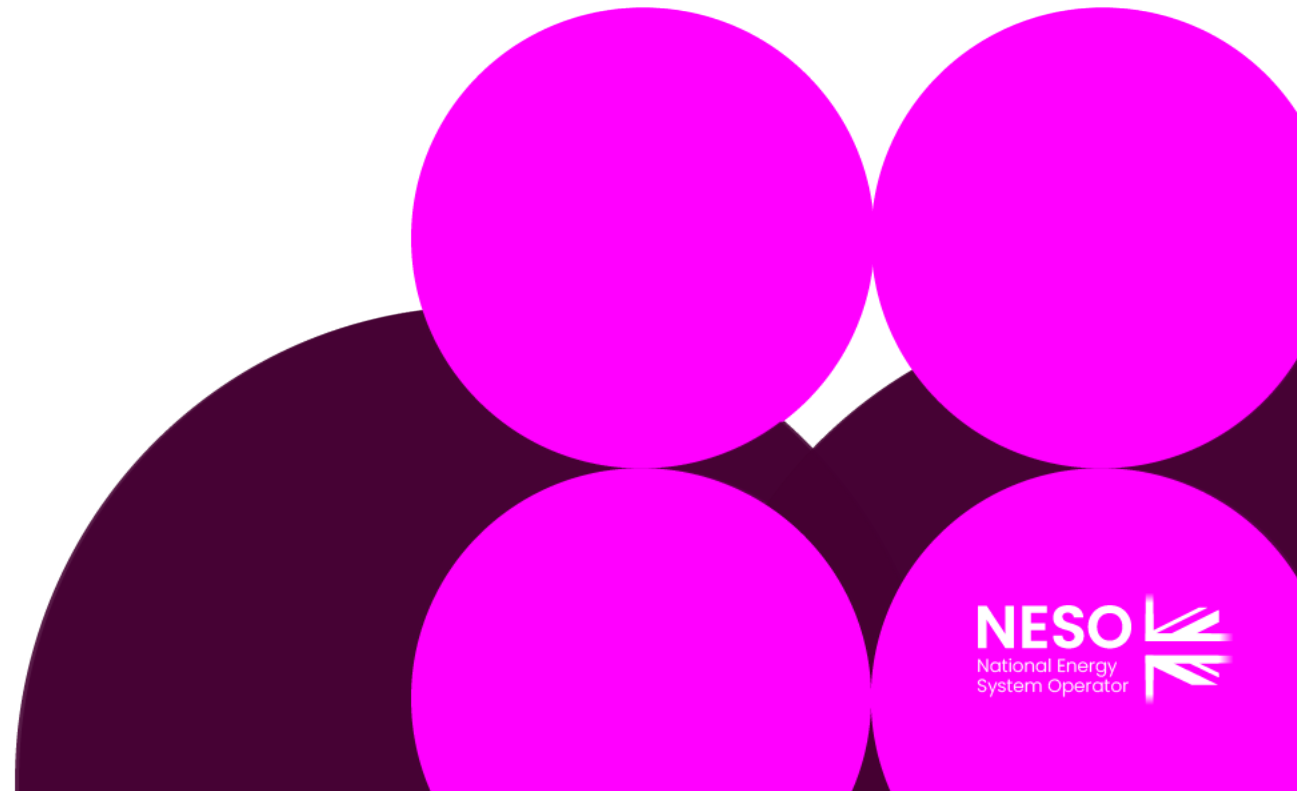
Historic BSUoS Cost

Daily BSUoS Charge (£m)



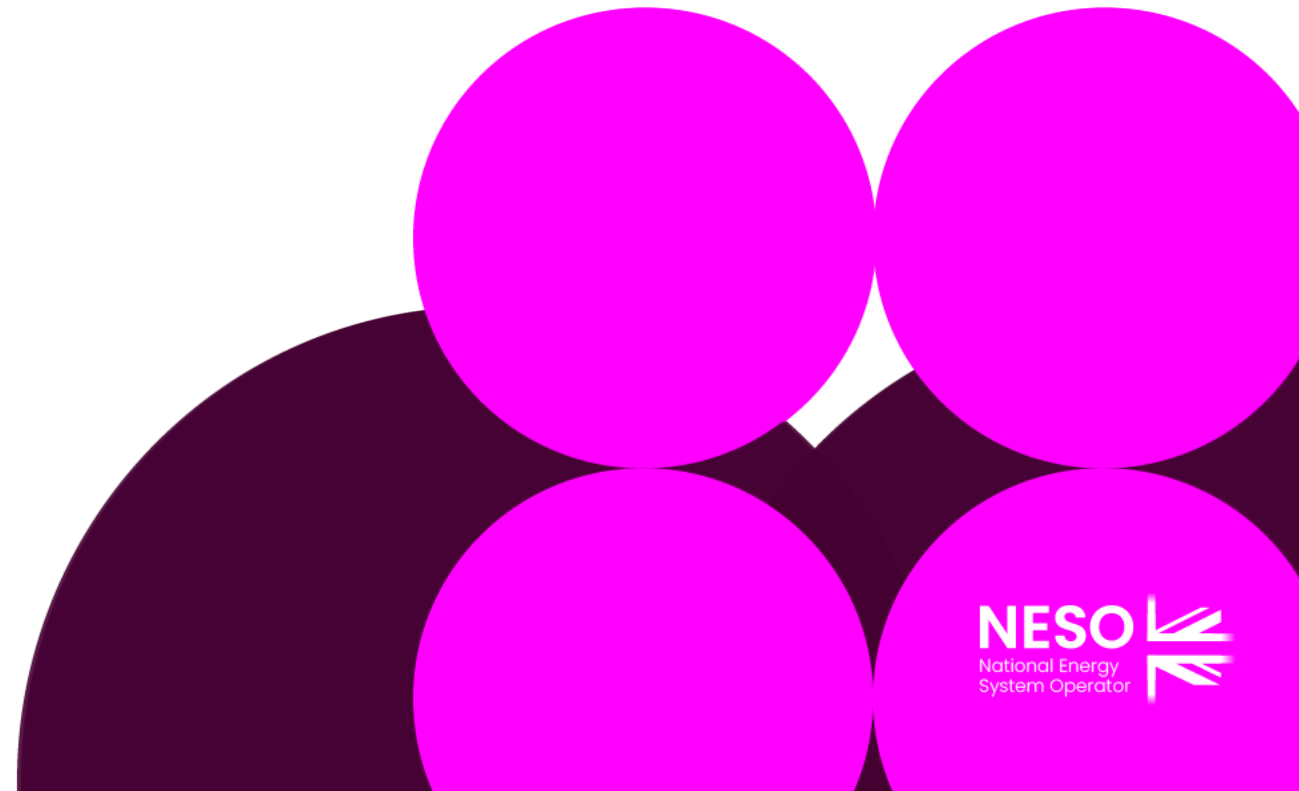
Workgroup Consultation

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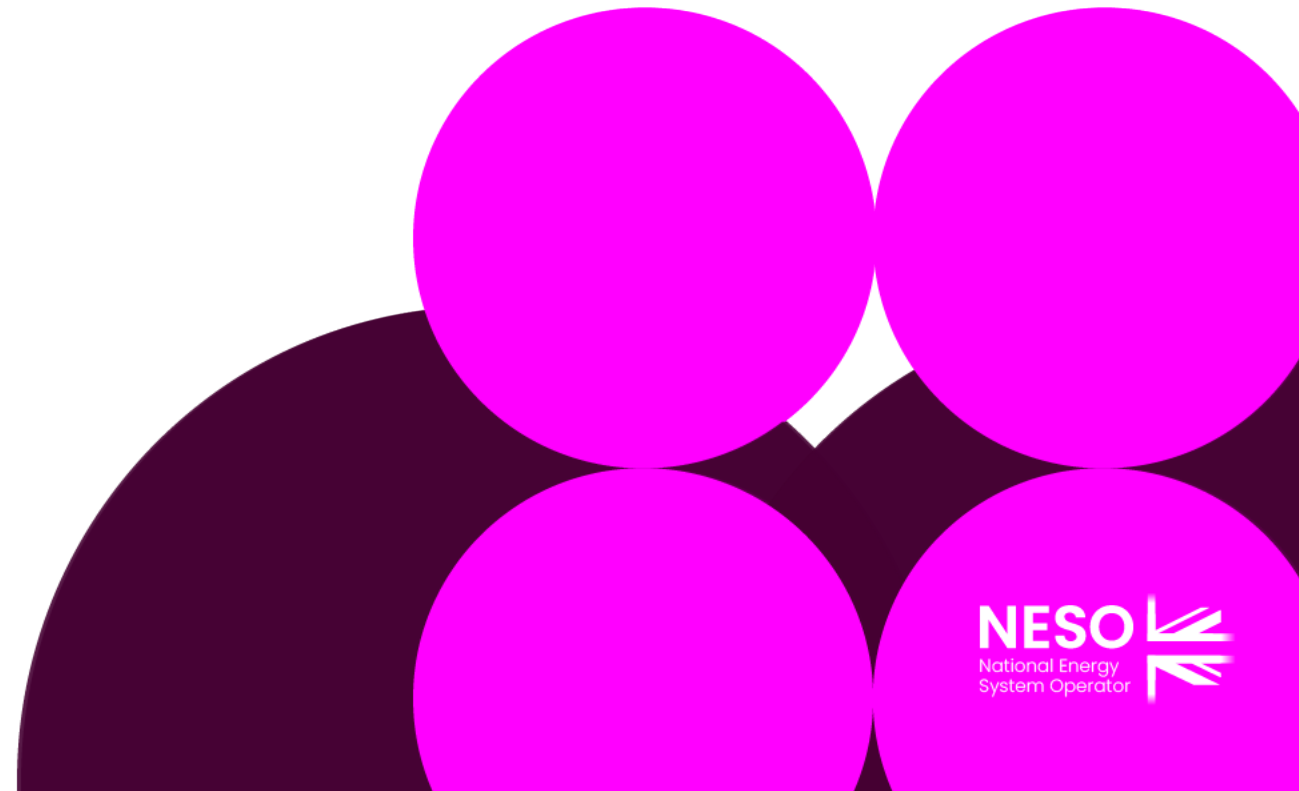
Legal Text

Martin Cahill– NESO



Cross Code Impacts

Catia Gomes – NESO Code Administrator



Any Other Business and Next Steps

Catia Gomes – NESO Code Administrator