

CMP474: Fixed BSUoS Price Revision Mechanism

Workgroup 5, 28 May 2026

Online Meeting via Teams

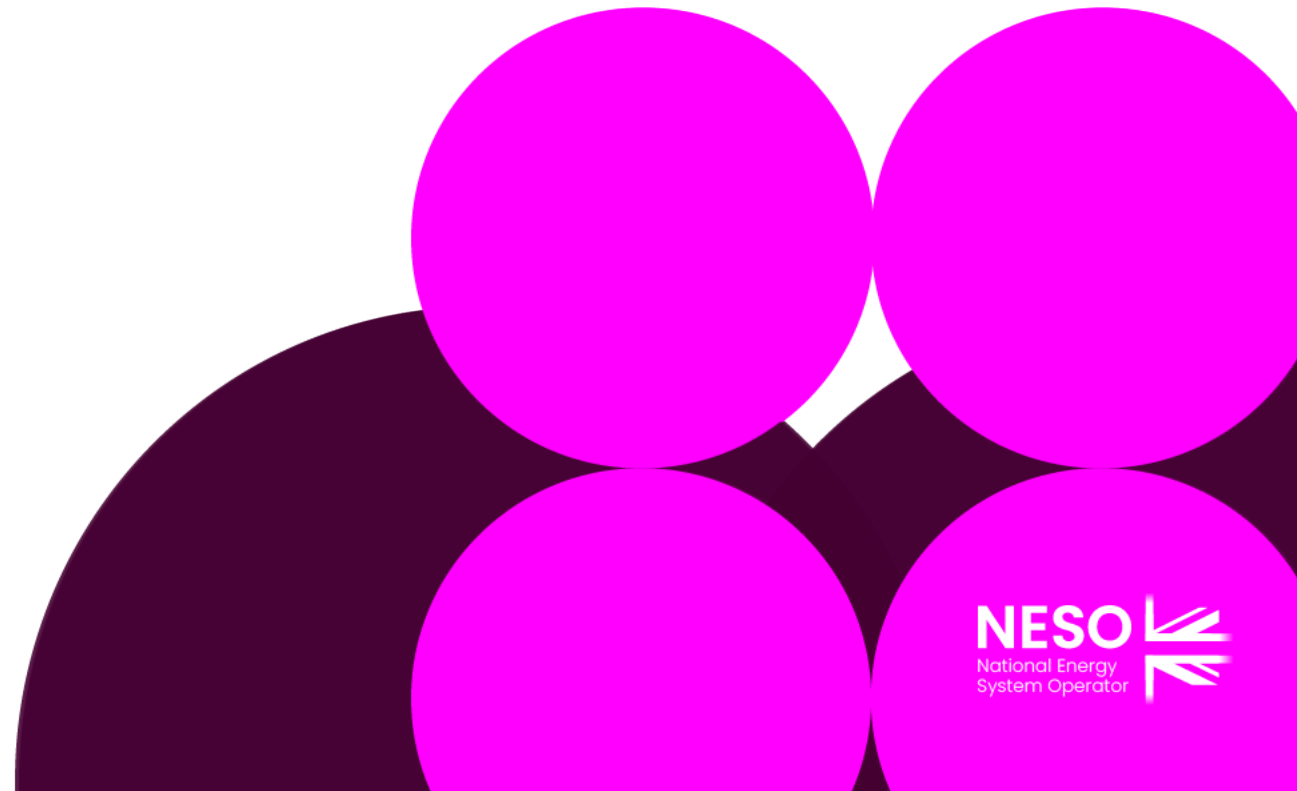
WELCOME

Agenda

Topics to be discussed	Lead
Introductions	Chair
Objectives and Timeline	Chair
Workgroup Consultation Responses Discussion	Chair
Terms of Reference	All
Legal Text	All
Any Other Business	Chair
Next Steps	Chair

Workgroup Responsibilities and Membership

Chair – 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

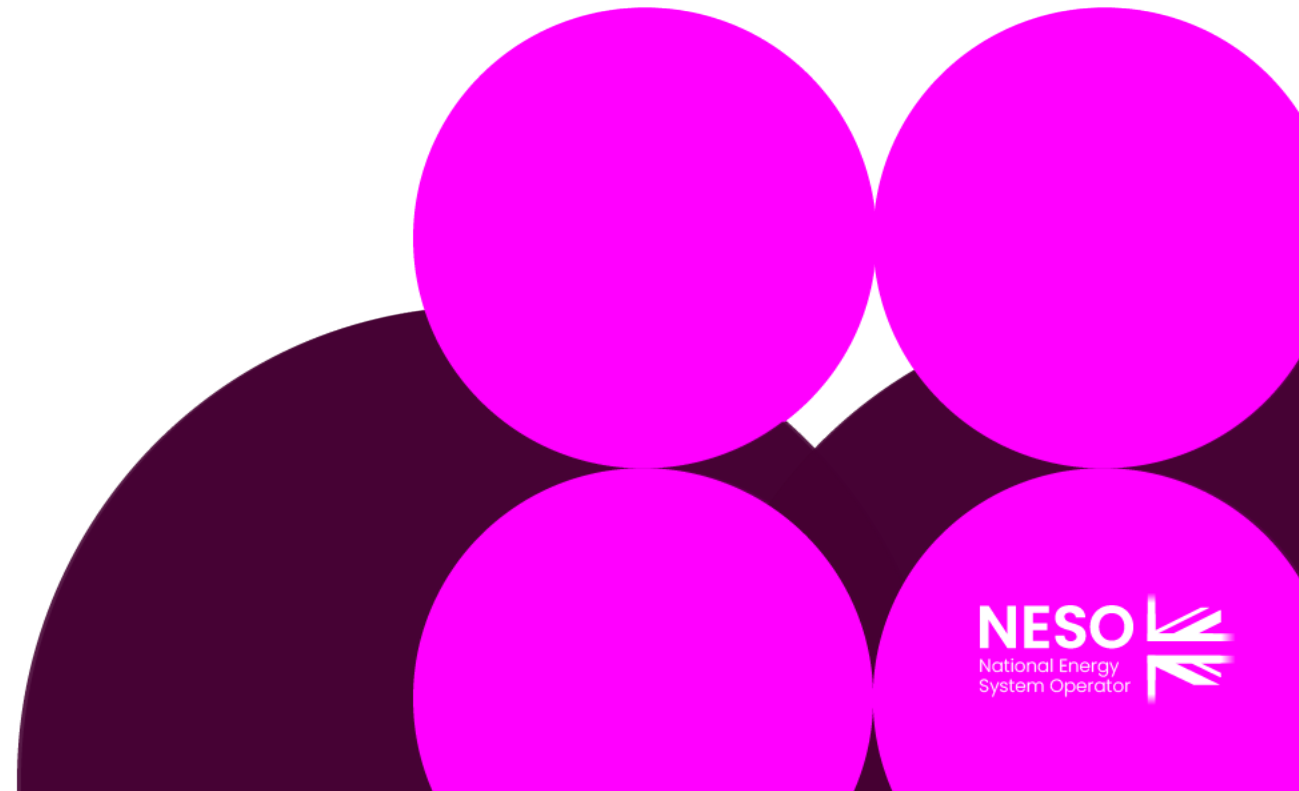
Role	Name	Company	Industry Sector
Proposer	Gregory Edwards	Centrica	
Workgroup Member	Damian Glough	SSE	Generator
Workgroup Member	Gareth Evans	Waters Wye	Other
Workgroup Member	Hugh Boyle	EDF Energy	Supplier
Workgroup Member	Karl Maryon	Drax	Supplier
Workgroup Member	Louise Hellyer	Totalenergies	Supplier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

Chair – NESO Code Administrator



Urgent Timeline

Objectives

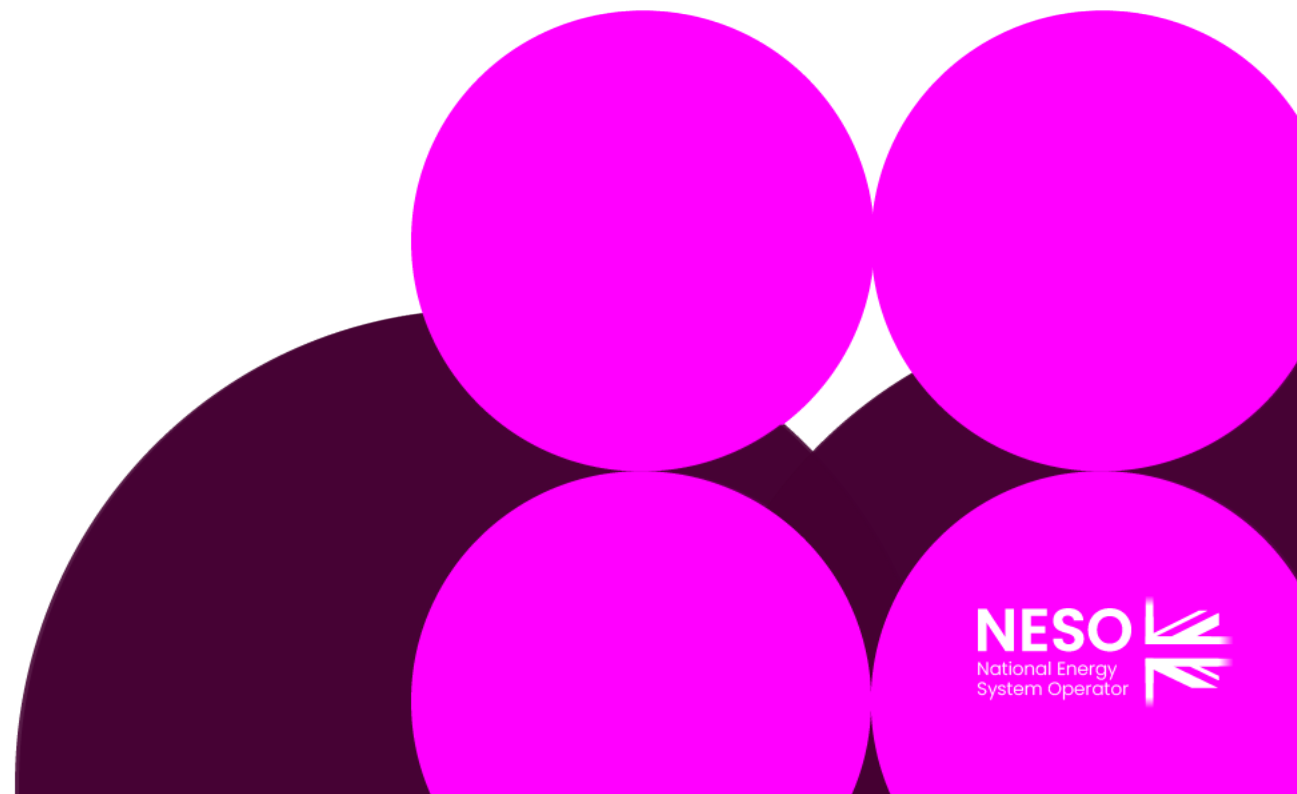
To update the solution if required and discuss possible alternatives

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 18 May 2026 to 5.00pm 25 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	

Workgroup Consultation Responses Discussion

Chair – NESO



CMP474 Workgroup Consultation Responses Review

Number of Responses/Alternatives	
Confidential Responses	2
Non-Confidential Responses	9
Alternative Requests Raised	0

Industry Sector Representation*	
Consumer body	
Demand	
Distribution Network Operator	
Generator	1**
Industry body	
Interconnector	
Storage	
Supplier	8**
System Operator	1
Transmission Owner	
Virtual Lead Party	
Other	

*Please note some responses represent several industry sectors and this tally does not include confidential Respondents

** One response was provided in capacity of both Generator and Supplier

CMP474 Workgroup Consultation Responses Review

Question	Number of Respondents (total of 9)			
	Objectives	Yes	No	N/A or No response
Do you believe that the Original Proposal better facilitates the Applicable Objectives?	d	9		
	e	2		
	f	1		
	g	0		
	h	8		
	None	n/a		
Do you support the proposed implementation approach?		9		
Does the draft legal text satisfy the intent of the modification?		9		
No respondents raised Workgroup Alternative Requests during the Workgroup Consultation.				
No respondents indicated that they disagreed with the Workgroup's assessment that the modification does not impact the European Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC.				

CMP474 Standard Workgroup Consultation Responses Review

Key Points

- All (nine) respondents agreed that the original solution better facilitates objective (d)
- Two respondents agreed that the original solution better facilitates objective (e)
- One respondent agreed that the original solution better facilitates objective (f)
- Eight respondents agreed that the original solution better facilitates objective (h)
- All (nine) respondents support the proposed implementation approach
- All (nine) respondents believe the legal text satisfies the intent of the modification
- No respondents believed there are EBR impacts
- The key points in support of the modification raised by a large number of respondents are:
 - Facilitates competition and efficiency
 - Reduces risk for suppliers
 - Provides longer notice period and increased transparency and visibility

CMP474 Specific Workgroup Consultation Responses Review

Q7 – Do you agree with the proposed 50% threshold for the information notice?

- Seven respondents supported this
- Reasons for this included:
 - Provides early, actionable warning
 - Improves visibility and planning for suppliers and customers
 - Avoids sudden (“cliff-edge”) information release
 - Enhances transparency compared to higher thresholds (e.g. 75%)
- Stakeholders would value early warning signals even before any formal threshold is breached
- Some consider 50% too low under normal conditions, suggesting 75% or 100% may better balance early warning with reducing unnecessary notifications
- The 50% level is seen as justified in exceptional conditions, but potentially not for steady-state operations

CMP474 Specific Workgroup Consultation Responses Review

Q8 - Will publication the proposed information notice be helpful to industry?

- Eight respondents supported this
- Reasons for this included:
 - Provides earlier visibility of risk to suppliers and customers, helping reduce risk of supplier exits and customer detriment
 - Improved forecasting and planning - Offers better inputs to support financial modelling and customer engagement.
 - More comprehensive than existing data - adds detail not included in existing publications
 - Formal publication ensures equal access to information, reducing reliance on informal signals and limiting information asymmetry.
- Other views:
 - Risk of over-notification which could risk important messages being overlooked
 - The notice may not align to NESO's assessment of genuine reset risk

CMP474 Specific Workgroup Consultation Responses Review

Q9 – Do you agree with the proposed Working Capital utilisation floor of 50% and 75%?

- Eight respondents supported this
- Reasons for this included:
 - Utilisation floors of 50% and 75% strike a balance between maintaining adequate working capital for NESO and limiting financial burden on market participants
 - Limits how much working capital is recovered in one period, lowering the impact of Fixed BSUoS Price increases.
 - Spreading recovery across periods is consistent with normal BSUoS operation and provides a more proportionate approach.
- Other views:
 - Floors could lead to multiple tariff resets, creating complexity and uncertainty.
 - Some stakeholders feel the proposal requires further refinement and detailed assessment before full confidence.

CMP474 Specific Workgroup Consultation Responses Review

Q10 – Do you agree with the proposed enduring arrangements of 3 months’ notice period for the tariff reset?

- Eight respondents supported this
- Reasons for this included:
 - Gives suppliers and customers (on pass-through and fixed contracts) time to prepare, recover costs, and manage cash flow.
 - Alignment with regulatory timelines: A 3-month notice aligns with the Default Tariff Cap cycle, enabling suppliers to reflect costs appropriately.
 - Provides stability, while still allowing some flexibility for NESO.
 - Removes reliance on informal or non-mandatory early communication from NESO.
- Other considerations:
 - Could delay action in fast-moving cost scenarios, risking depletion of working capital before adjustments can be made.

CMP474 Specific Workgroup Consultation Responses Review

Q11 –Do you agree that the enduring arrangements of 3 months’ notice period for tariff reset will benefit the non-domestic customer on pass-through contracts when compared to the baseline?

- All (nine) respondents supported this
- Reasons for this included:
 - General consensus that an increased notice period allows non-domestic customers on pass-through contracts to better plan from budgeting and cashflow perspective, despite not removing the cost impact

CMP474 Specific Workgroup Consultation Responses Review

Q12 – Do consider that the proposed solution will expose NESO to further risks that cannot be reasonably managed?

- Two respondents stated, yes, they do consider that the proposed solution will expose NESO to further risks that cannot be reasonably managed
- Six respondents stated no
- One respondent did not comment
- Reasons for this included:
 - Risks to NESO can be managed through working capital use and long term planning
 - The proposed solution does not expose NESO to unreasonable risks and maintains NESO's discretion on tariff resets.
 - The proposal is seen as helping NESO manage reputational and charging risks by establishing a clear operational framework.

CMP474 Specific Workgroup Consultation Responses Review

Q13 – Do you agree that the proposed solution will reduce the risk for Suppliers?

- All (nine) respondents agreed that the proposed solution will reduce risk for Suppliers
- Reasons for this included:
 - Reduction of Supplier Risk and Improved Capital Adequacy
 - The proposal allows suppliers to adjust credit guarantee limits in advance, reducing the risk of breaching credit cover requirements due to sudden price changes.
 - Reduces unpredictability and unhedgeable risk for suppliers
 - Enables suppliers to price with greater foresight, reducing charging risk for customers

CMP474 Workgroup Consultation Responses Review

Additional Comments (Q3)

- Strong support for moving beyond 5-day notice to enable better planning, predictability and transparency
- Noted no significant implementation burden as can be delivered with minimal system/resource change
- Provides clear governance framework
- Effectiveness depends on NESO having sufficient working capital
- The solution risks having limited impact when considered on standalone basis – it does not directly address working capital issues
- There is a requirement to align with related modifications e.g. CMP475 to avoid undermining predictability
- There is no cap on extreme price increases during resets
- Unhedgeable risk not fully eliminated as BSUS cannot be hedged like other costs

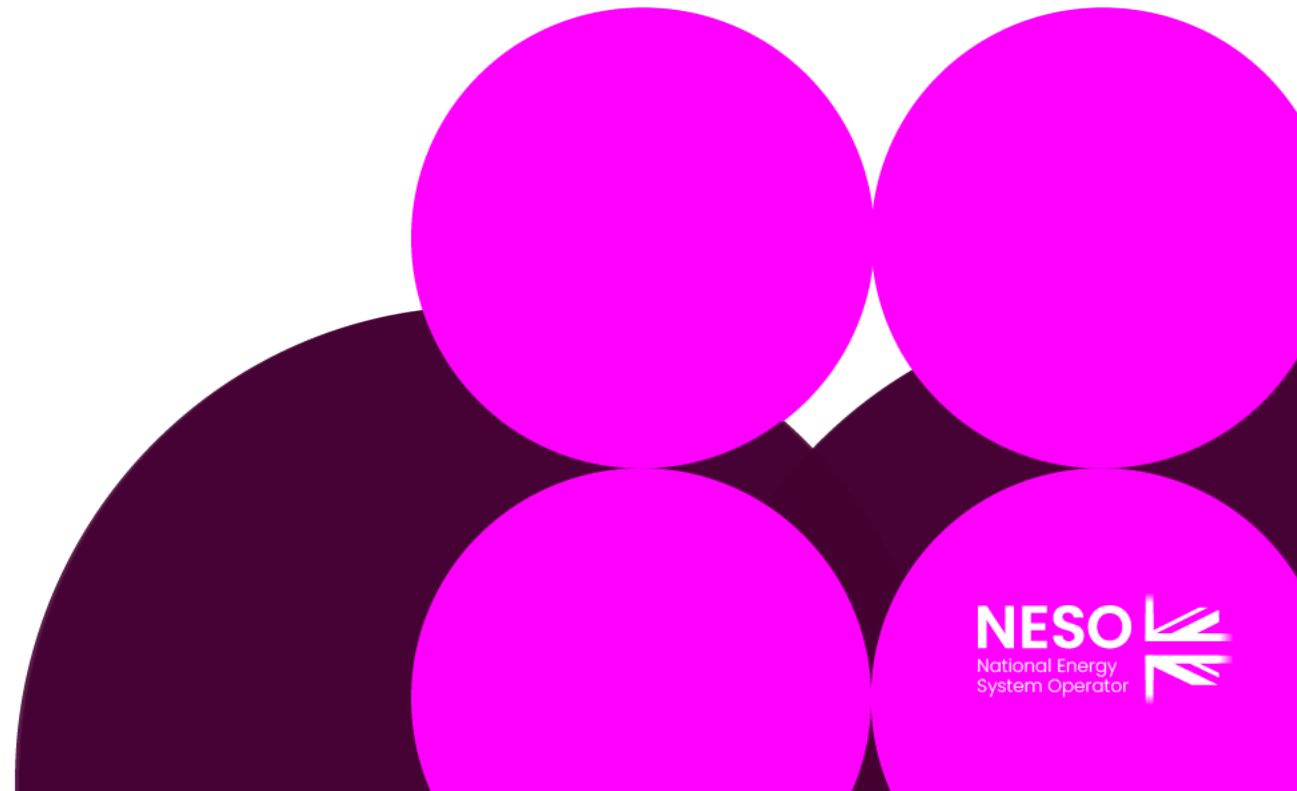
CMP474 Workgroup Consultation Responses Review

Key concerns

- NESO concern at not being able reset tariffs before exhausting all available working capital

Terms of Reference

Chair – NESO Code Administrator



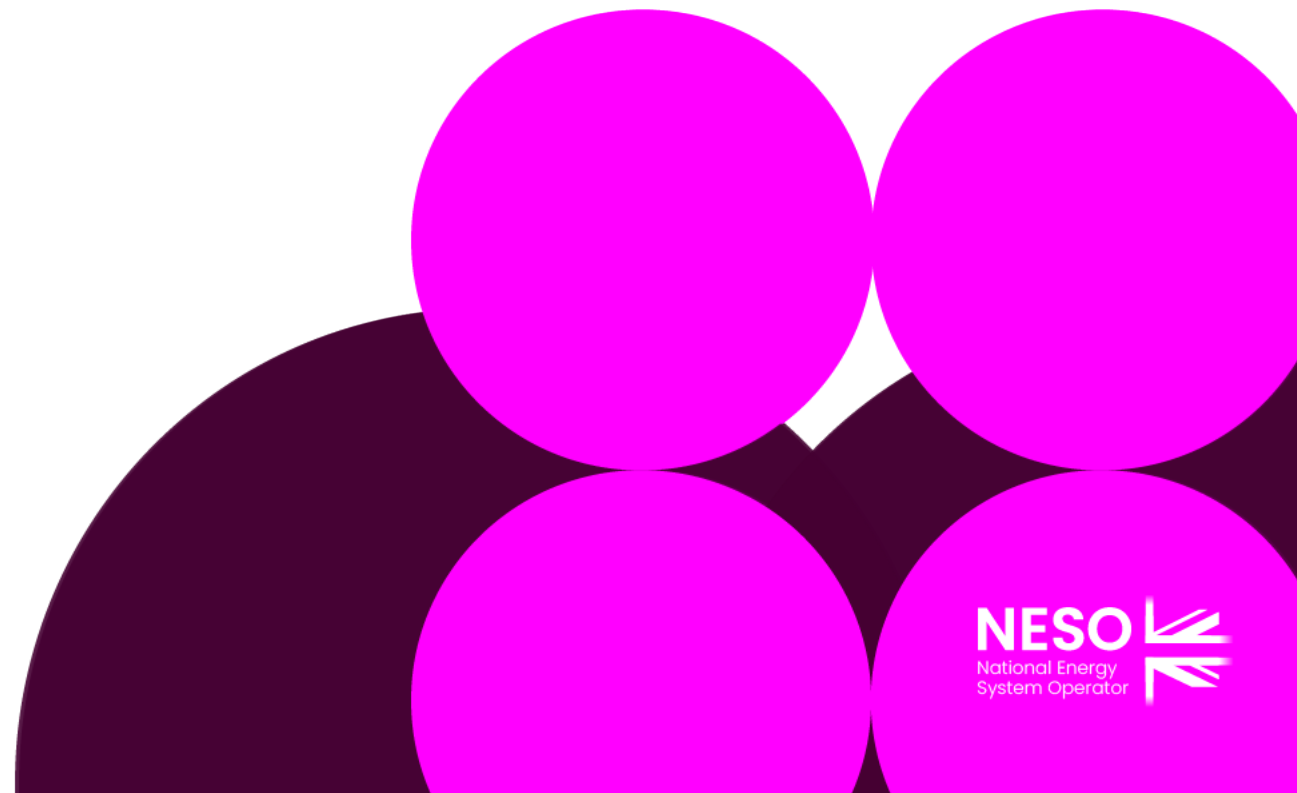
Terms of Reference

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

Legal Text

All



Any Other Business and Next Steps

Chair – NESO Code Administrator

