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# Code Administrator Meeting

## Summary

Workgroup Meeting 6: CMP475: Amendment to the BSUoS tariff reset process.

**Date: 05 June 2026**

### Contact Details

Chair: Robert Hughes, [robert.hughes3@neso.energy](mailto:robert.hughes3@neso.energy)

Proposer : Alex Curtis, [alex.curtis@neso.energy](mailto:alex.curtis@neso.energy)

### Key areas of discussion

The Chair set out the agenda, with the focus on the Proposers presentation and reviewing the Terms of Reference.

### Timeline

The Chair noted the urgent timeline of CMP475 and the process for Workgroup meetings in the next two weeks.

### Proposers Presentation

#### **CMP474 and CMP475 Modifications Interaction**

Martin Cahill, the NESO alternate, stood in for the Proposer at this meeting due to annual leave commitments. The Proposer presented a comparison of CMP474 and CMP475, highlighting their distinct approaches to working capital utilisation, the Workgroup confirmed their understanding of the differences and overlaps between the two modifications.

- **Distinct Objectives of Modifications:** The Proposer explained that CMP474 and CMP475 both address working capital utilisation but target different defects:
  - CMP475 provides NESO with flexibility to manage the working capital facility as needed,
  - while CMP474 introduces a longer notice period and sets thresholds for information provision.
- **Key Differences and Overlaps:** The Proposer outlined the main differences in notice periods, information provision, reopening of tariffs, and maximum recovery positions, using a table to clarify that while both modifications allow reopening of tariffs, their mechanisms and thresholds differ significantly.

The Chair confirmed with the Workgroup that the graphical comparison accurately reflected the modifications. There were no objections with no further questions.

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**CMP475 Interaction with Energy Price Cap and Consumer Bill Impact**

The Proposer led a discussion on how CMP475 interacts with the energy price cap and its potential effects on consumers.

- **Notice Period and Price Cap Timing:** The Proposer clarified that CMP475 does not alter the existing five-day notice period, which means NESO could reset tariffs after price caps are set, posing significant cash flow risks for suppliers, especially if resets occur with minimal notice.
- **Consumer Segmentation and Impact:** Several Workgroup members raised the importance of distinguishing between domestic and non-domestic consumers, noting that non-domestic customers, particularly those on pass-through contracts, are more vulnerable to bill shocks from short notice changes.
- **Seasonality and Cash Flow Risks:** One Workgroup member highlighted that the timing of resets, especially during high consumption periods like winter, could exacerbate cash flow impacts for larger customers, the Proposer agreed to ensure these factors are captured in the reporting.
- **Supplier and Customer Risk Transfer:** The Workgroup discussed how risks are transferred depending on contract type: for pass-through contracts, the risk is passed directly to customers, while for fixed contracts, suppliers bear the cash flow risk, given the domestic market is more exposed due to the prevalence of price-capped contracts.

**Trade-Offs Between NESO and Supplier Cash Flow Risks**

The Proposer and Workgroup examined the balance between NESO's need for working capital flexibility and the risk of sudden bill impacts or over-recovery, including the implications for tax treatment and the operational challenges of tariff resets.

- **Top-Up Recovery and Risk Transfer:** The Proposer explained that CMP475 allows NESO to recover additional amounts towards a neutral position, which could reduce the need for future tariff resets but may transfer more risk to suppliers, as highlighted in consultation responses.
- **Tax Treatment Concerns:** One Workgroup member questioned the implications of aiming for a neutral or positive working capital position, raising concerns about potential tax liabilities if NESO consistently over-recovers. The NESO SME clarified that while aiming for neutral working capital position is standard, over-recovery may expose NESO to tax risks.
- **Operational Challenges of Tariff Resets:** The Workgroup discussed the practical difficulties of implementing mid-month tariff changes, especially for non-domestic customers on pass-through contracts, noting potential billing system issues and increased customer complaints.
- **Risk Premium and Consumer Disbenefit:** One Workgroup member pointed out that the uncertainty introduced by possible tariff resets could increase the risk premium suppliers build into bills, ultimately disadvantaging consumers.

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### Terms of Reference (ToR)

The Chair led the Workgroup through a review of the Terms of Reference, confirming with the Workgroup that all key issues had been addressed. The Chair invited the Workgroup to raise any outstanding questions or request further discussion, noting that there was still time in the meeting before the Workgroup Report is voted on and subsequently presented to the CUSC Panel.

### Next Steps

The Workgroup agreed to cancel the upcoming Workgroup meeting 5 June in favour of focusing on preparing the Workgroup Report for circulation ahead of the next meeting on 10 June. The Workgroup vote will take place at this meeting.

### Attendees

Name	Initial	Company	Role
Robert Hughes	RH	Code Administrator NESO	Chair
Andrew Hemus	AH	Code Administrator NESO	Tec Sec
Martin Cahill	AC	NESO	Proposer Alternate
Damian Clough	DC	SSE	Workgroup member
Gareth Evans	GE	Waters Wye Associates	Workgroup member
Ghulam Haider	GH	Ofgem	Authority Representative
Gregory Edwards	GRE	Centrica	Workgroup member alternate
James Knight	JK	Centrica	Workgroup member
Karl Maryon	KM	Drax Energy Solutions Limited	Workgroup member
Katie Clark	KC	NESO	SME
Louise Hellyer	LH	TotalEnergies Gas and Power	Workgroup member
Nick Everitt	NE	NESO	SME
Pawel Czarnowski	PC	Scottish Power	Workgroup member
William Cartwright	WC	TotalEnergies Gas and Power	Workgroup member alternate