Public

BSUoS Draft Tariffs 9 and 10 for 2027/28 Webinar

Q&A Summary – 01/10/2026

Contributors	Nick Everitt, Katie Clark, Edward Adofo, Nicky White, Tobi Odusanya
Purpose	To summarise the questions asked as part of the BSUoS Draft Tariffs 9 and 10 for 2027/28 webinar and the answers provided by the presenters.
Date	01/10/2026

Introduction

A webinar was held on 01 October 2026 to outline the BSUoS Draft Tariffs for 2027/28 (Tariffs 9 and 10).

You can download the slide deck from this webinar **HERE**
You can view a recording of this webinar **HERE**

The following questions were asked, and answers provided during the webinar Q&A session. It is worth noting that the written answers provided below may differ, be more detailed or include additional information that we were not able to provide during the live webinar:

#	Questions raised	Response
Tariff assurance and governance		
Each publication is peer-reviewed and internally signed off under NESO's ISO 9001-certified quality framework but is not individually audited by a third party.		
1.	Hi, are your calculations validated/audited by any third parties?	Our tariff calculations are not independently validated or audited by a third party for each publication. However, every publication is subject to peer review and formal internal sign off. The wider process is supported by NESO's established control framework and Quality Management System, including documented standard operating procedures and work instructions. NESO maintains ISO 9001 certification and undertakes internal and external assurance activities as part of that framework. We retain evidence of the

		working documents, checks and approvals completed for each publication.

Balancing cost forecast methodology

Balancing cost forecasts combine market prices, renewable generation and monthly constraint updates, with reviews underway on geopolitical risk and responsiveness to rapid changes.

2	Is the increase in forecast balancing cost down to wholesale price increases and are you also forecasting higher volumes of balancing actions?	The increase cannot be attributed to a single factor. The balancing cost forecast is probabilistic and combines several inputs, including wholesale market prices, the proportion of demand met by renewable generation, historical relationships with balancing costs, and the constraint forecast provided by NESO's constraints forecasting team. The model does not produce a directly comparable forecast count of balancing actions, so we cannot isolate the increase into a simple price-versus-volume split. Both market conditions and system requirements influence the forecast.
3	Does NESO model in any risk premium into the tariffs that would act as a buffer for any geopolitical events etc?	No specific geopolitical risk premium has previously been added to the tariffs. The objective is to recover the forecast cost of balancing the system without deliberately creating material over-recovery that would have to be returned through future tariffs. We recognise that exceptional geopolitical events can materially affect market prices and balancing costs, and we intend to review whether the model should include any additional treatment of this risk. Any change would need to balance resilience against the risk of over-recovery.
4	Can NESO confirm if the BSUoS model is expecting wholesale prices to rise over the winter?	Wholesale market prices are one of the inputs to the BSUoS balancing cost model. For the Draft Tariffs, the model used an average of the available price curves from 1 to 5 September, producing a winter assumption of approximately £107/MWh at that point in time. The price assumption will be refreshed using the latest available curves for the Final Tariffs. As an indicative model sensitivity, a 20% change in wholesale market prices is associated with approximately a 10% change in balancing costs, although the actual outcome will also depend on other model inputs.

5	The costs for Sep published in the weekly reports for 2 weeks before the monthly forecast was published were at least £100m higher in the monthly forecast. Why?	The September forecast was produced before the full scale of the month's outturn costs was known. Actual costs were materially higher than the model's P50 expectation, reflecting factors including system constraints, wind curtailment requirements and higher gas prices. The short-term model also contains an element of persistence from recent outturns. August combined relatively high average wholesale prices with comparatively low balancing costs, which reduced the model's forward view for September. We are reviewing with the modelling team how the short-term methodology responds to rapid month-to-month changes of this kind.
6	When are constraint forecasts fixed in the modelling? the picture can change significantly depending on updated view of key boundary availability month on month	NESO receives an updated constraint forecast from the constraints modelling team each month, normally during the first week of the month. That latest view is blended with the short- and longer-term components of the balancing cost model. As boundary availability and other system assumptions can change between forecast runs, those updates can materially affect the resulting constraint and balancing cost forecasts. The Plexos Constraint Forecast can be found on the NESO Data Portal: https://www.neso.energy/data-portal/24-months-ahead-constraint-cost-forecast

Forecast chargeable volumes

The Draft Tariff 9 forecast is 4.9% lower than actual FT7 chargeable volumes for the equivalent six-month period. We will refresh the comparison for the Final Tariffs.

7	Are you able to compare actual volumes for FT7 to your forecast for FT9 instead of the volumes used to set FT7?	Actual chargeable volumes for Final Tariff 7 (April–September 2026) were 125.1 TWh, compared with the Draft Tariff 9 forecast of 119.0 TWh for the equivalent six-month period. The Draft Tariff 9 forecast is therefore 6.1 TWh, or approximately 4.9%, lower than FT7 actual volumes. The actuals reflect settlement data as at 29 October 2026. For the Draft Tariffs publication, we compared the Draft Tariff 9 forecast with the forecast volumes used to set Final Tariff 7, providing a forecast-to-forecast

		comparison. Complete FT7 outturn data was not available when Draft Tariffs 9 and 10 were prepared. The actual-to-forecast comparison provides an indication of how the latest forecast compares with the most recent complete tariff period. Differences may reflect forecast assumptions, weather, embedded generation, the chargeable volume methodology and changes in underlying demand. We will refresh the analysis for the Final Tariffs using the latest available forecast information.

Forecast confidence

Under-recovery estimates will be refreshed for the Final Tariffs in December using the latest actuals and forecasts but remain subject to forecasting uncertainty.

8	How confident are you that any under-recovery factored into the draft and then the fixed tariffs will be sufficient?	The under-recovery included in the Draft Tariffs reflects the best information available at the time they were prepared. The position will be updated for the Final Tariffs in December using more recent actuals and forecasts, providing a clearer view of the expected year-end deficit. However, forecasting inherently involves uncertainty, particularly where market conditions, system requirements or geopolitical events materially affect balancing costs. The Final Tariffs will therefore be based on the latest available evidence and the most up-to-date forecast at the point of setting.

Under-recovery timing and allocation

The current approach spreads under-recovery across Tariffs 9 and 10 over 12 months, split equally in £ terms, with the position updated for the Final Tariffs.

9	Will the unrecovered revenue from this year definitely be spread over the 12m period or could it be shortened to be recovered over the first 6m only?	Under the current approach, the forecast under-recovery is included across both Draft Tariff 9 and Draft Tariff 10, so recovery is spread over the full 12-month period rather than the first six months only. This position will be updated when the Final Tariffs are set using the latest available forecast.

10	Could unrecovered revenue be extended beyond 12 months to reduce the impact on tariffs 9 & 10?	Our current approach is to recover the under-recovery in the next tariff year rather than extending it beyond 12 months. Carrying the deficit for longer would increase pressure on NESO's working capital and transfer additional uncertainty into future tariff periods, when balancing costs may also be higher. Recovering it across Tariffs 9 and 10 provides a clearer and more timely route to addressing the deficit while spreading the impact over the full year.
11	Currently, the over/under-recovery is split evenly between two fixed tariff periods in £ terms - would this ever instead be split evenly in £/MWh terms?	Our current approach allocates the forecast over- or under-recovery evenly between the two fixed tariff periods in pound terms. An equal £/MWh adjustment would instead allocate more of the pound-value adjustment to the higher-volume winter period and less to summer. Compared with the current approach, this would increase the size of the winter adjustment and reduce the summer adjustment, whether recovering a shortfall or returning a surplus. We are open to industry feedback on alternative allocations, but the Draft Tariffs retain the existing pound-value approach.

Working capital and funding

The £300 million BSUoS facility is supported by wider NESO funding, but resources are limited and carrying the deficit has a cost; further measures are being explored to avoid an FT8 reset, which cannot be ruled out.

12	Is the working capital still £300m? What changed to allow the £1bn to be carried into the next published rates rather than triggering a mid-period tariff reset?	The dedicated BSUoS working capital facility remains £300 million. The forecast under-recovery above that level is currently being supported by NESO's wider working capital arrangements, together with positive cash flows and accruals elsewhere in the business. These sources are not unlimited, and the growing forecast deficit is placing increasing pressure on the overall position. We are therefore monitoring it closely and considering further measures to avoid a Final Tariff 8 reset.

13	If you recover the entire under-recovery next year, what working capital will you have access to in 27/28?	Currently, £300 million remains dedicated to supporting BSUoS in 2027/28. That could change depending on the outcome of the funding measures currently under consideration. If the dedicated facility changes, NESO will communicate the revised position to industry.
14	Does NESO have access to unlimited funds elsewhere within NESO to make the balancing costs this winter? If not at what level a FT8 reset might be required?	No, NESO does not have access to unlimited funding. There is no predetermined deficit level at which a Final Tariff 8 reset would automatically occur because the decision also depends on NESO's wider funding and cash position and the outcome of the measures being considered. Our current plan is to avoid reopening Final Tariff 8 and carry the deficit into Tariffs 9 and 10, but we cannot guarantee that outcome at this stage.
15	Is there an approx. figure of NESO's overall working cashflow that will trigger a BSUoS reset that NESO can share? We're now well beyond £300mn BSUoS WCF figure	No. NESO does not currently have a single published overall cash-flow threshold that would automatically trigger a BSUoS tariff reset. The decision would consider the actual and forecast deficit, the wider working capital and cash position, and the availability of other funding measures. We continue to monitor these factors closely as we assess how the deficit can be carried into the next tariff year.
16	If you have to consider additional measures to help with the under-recovery, what kind of measures would they be?	The measures under consideration include changes to the timing of certain payments, excluding payments to industry parties, and increasing either NESO's overall working capital facility or the amount specifically dedicated to supporting BSUoS. These options are being explored to help carry the under-recovery and avoid a tariff reset where possible.
17	What is the total WCF you have access to for the remainder of FT8? What is the expected size of the WCF for next year? Will this be published?	The dedicated BSUoS working capital facility is currently £300 million. At the moment, NESO's total working capital facility is approximately £700 million, with additional support from positive cash positions and accruals elsewhere in the business. For next year, the dedicated BSUoS facility is expected to remain £300 million unless the current funding discussions result in a change. If it changes, NESO will communicate the revised position to industry.
18	Can you shed some light on the discussions so far and when	The discussions are considering measures that could support NESO's ability to carry the forecast under-recovery into the next tariff year, including potential

	would you expect those discussions to conclude?	changes to working capital arrangements and access to funding. They involve relevant government and regulatory stakeholders and have been under way for several months. We cannot provide a firm conclusion date at this stage, although the increasing forecast deficit means the work is becoming more urgent. We will update industry when there is a confirmed outcome that can be shared.
19	Is NESO currently planning to hold the ~£800mn forecast additional deficit for free? How will it be funded - inflation/ cost of capital etc likely to appear?	NESO is not-for-profit, but carrying a substantial negative cash position still has a funding cost. One of the principles behind the fixed tariff methodology is that NESO can manage short-term working capital risk at a lower overall cost than requiring individual market participants to hold that risk.

Risk of a Final Tariff 8 reset
NESO aims to avoid an FT8 reset but cannot guarantee this or quantify its likelihood; there is no automatic trigger, and a reset would not rebuild working capital under the current methodology.

20	As you have included this year's under-recovery in FT9 and 10, will the NESO guarantee that FT8 will NOT be re-opened?	NESO cannot guarantee at this stage that Final Tariff 8 will not be reopened. Our current plan is to avoid a reset and carry the forecast under-recovery into Tariffs 9 and 10. We are actively considering additional funding measures with relevant stakeholders because the forecast deficit has increased. We recognise the importance of tariff stability and will continue to be transparent if the position or our approach changes.
21	If the reopening decision isn't a "binary" decision based on the BSUoS working capital fund [facility], how can we anticipate that the re-opener may happen?	There is not a single binary threshold that automatically triggers a tariff reset. A fixed trigger could provide greater certainty, but it could also require a reset even where other funding options are available to avoid one. Our current priority, reflecting industry feedback, is to use the available options to avoid a reset where possible, while acknowledging that this creates some uncertainty. We will continue to communicate material changes in the position as they arise.

22	In the event of a tariff reset, would the aim be to get back to a cumulative cash position of -£300m, or £0 by the end of the relevant reset season?	Under the current methodology, a tariff reset can recover forecast costs for the remainder of the reset period, but it cannot include an additional amount to rebuild the BSUoS working capital facility. Therefore, if a reset occurred when the cumulative cash position was below zero, the reset would not automatically return that position to either -£300 million or £0 by the end of the reset period. Rebuilding the facility would need to be addressed through a subsequent tariff period. Two modifications (CMP474/CMP475) currently in progress may change this position.
23	Can you give us ANY indication of the likelihood of a tariff reset for FT8? Gut feel/ballpark figure. Is it 25% likely, 50% likely etc? It would help us	We cannot provide a reliable percentage or ballpark probability for a Final Tariff 8 reset. Our current plan is not to reset Final Tariff 8 and instead to carry the forecast deficit into Tariffs 9 and 10. We are actively pursuing measures to support that approach but cannot guarantee the outcome while those discussions remain ongoing.

Stakeholder Feedback
NESO recognises the request for greater funding transparency and will consider what additional information can be shared in future updates.

	Comment	Response
1	The simplest of squaring the circle is to be transparent about the level of funding NESO [is] using to support under-recovery during FT8	We recognise the request for greater transparency on the level and sources of funding being used to support the Final Tariff 8 under-recovery. We will consider what further information can be shared alongside future updates, including any confirmed changes to NESO's working capital or wider funding arrangements.

Note: These responses reflect the methodology, assumptions and information available at the time of writing. The position may change following the Final Tariff update, the outcome of CMP474 and CMP475, or any changes to NESO's funding arrangements or forecasting methodology.

Document Revision History

Version Number	Date of Issue	Notes
1.0	06/11/2026	Publication of Draft Tariffs 9 and 10 Webinar Q&A