BSUoS Fixed Tariff Consultation
Update Webinar 03.08.22
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Presenters

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Ben Sloman
Senior Modelling Specialist

• We will be recording the session – to be shared on ESO website for those not able to attend
• Please capture your questions on slido code: #1215546 – we will have time at the end to run through them
• For more information please refer to our BSUoS Consultation document, published on ESO website here
BSUoS Fixed Tariff Consultation Plan

Our plan for this engagement is as follows:

1. **Issue consultation invitations** – Monday 13th June
2. **Share consultation documentation** – Monday 20th June
3. **Consultation opening session** – Monday 27th June
   - 1h presenting information in consultation documentation
   - 1h Q&A session, inc. identifying any key topics for follow-up discussion
4. **Deliver supporting Webinars / Information** – 28th June - 8th July
   - Reiterating information and covering key questions & answers
   - Focused sessions or sharing additional information on key topics as requested
   - Gather feedback from sessions, email and other ESO communications channels
5. **Update draft tariff methodology & model based on consultation** – 12th July – 2nd August
   - Communicate updates based on consultation – TODAY
6. **Second round of consultation for further feedback and updates** – 3rd -19th August
   - Communicate consultation summary – w/c 22nd August
7. **Communicate draft tariff, based on updated model and approach** – September
Introduction
Context

• BSUoS reform
  • CMP308: Removal of BSUoS charges from generation
  • CMP361 and 362: Introduction of fixed BSUoS tariff
  • Whilst awaiting final decision on CMP361 we would like industry feedback and input to improve our fixed BSUoS tariff methodology.

• Five Point plan: Improve BSUoS forecasting

• Requirements:
  • Forecast of costs to set tariff at correct level
  • Quantify level of uncertainty
  • To determine working capital fund for fixed BSUoS financial risk management
Questions for Industry

Key questions to consider throughout this engagement and during this webinar:

• Do you agree with our approach?

• Are there any areas/details missing?

• Do you have any suggestions or alternative proposals you can share information on / experiences of?

• Are there any topics you would like a focused session on during the consultation?
BSUoS Fixed Tariff Model
Consultation Updates
Question: Forecast for 22/23 has ranged from £2.9bn to £4.8bn recently – are these 'teething issues' or a genuine representation of variability of new FC approach?

- Forecast varied significantly due to volatility in the wholesale forward curves.
- Forward price curves now averaged over data from the most recent trading week (5 days).
- This dampens the day-to-day forecast volatility, whilst still responding to new price signals.
Question: Have you run analysis of forward curve v. prompt outturn to support your theory and inputs?

- The outturn is similar to the forward curve for a short leadtime (up to 3 months).
- For longer leadtimes the outturn prices are higher than suggested by the forward curves, since the market is rising.
- When the market falls the outturns will be less than the forwards, but unclear when this will occur.
- We will not use an adjustment factor.

Data from October 2019 to July 2022
Question: Volumes under CMP308 - your recent forecasts are 229TWh - very low (c. 20%).

- As outlined in the initial consultation, the BSUoS chargeable volume has been estimated using a simple linear regression using the NGESO national demand forecast as the explanatory variable.
- We published the output of the model for the first time in the July forecast.
- FY 23/24 = 276 TWh
Please open slido and enter code: #1215546
Next Steps

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**Call to action!**
- Get in touch with further questions via bsuos.queries@nationalgrideso.com
- Highlight topics for follow-up webinars / information shares
- Look out for additional information via our ESO Charging Updates mailing list – sign up here if you haven’t already
Thank you!