







# BSUoS Fixed Tariff Consultation

Update Webinar 03.08.22

# Agenda

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## Presenters

			
<b>Nick Everitt</b> Revenue Manager - Tariff Setting	<b>Dan Drew</b> Senior Modelling Specialist	<b>Rebecca Knight</b> Markets Modelling Analyst	<b>Ben Sloman</b> 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 13<sup>th</sup> June*
2. **Share consultation documentation** – *Monday 20<sup>th</sup> June*
3. **Consultation opening session** – *Monday 27<sup>th</sup> 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** – *28<sup>th</sup> June - 8<sup>th</sup> July*
  - Reiterating information and covering key questions & answers
  - Focussed 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** – *12<sup>th</sup> July – 2<sup>nd</sup> August*
  - **Communicate updates based on consultation – TODAY**
6. **Second round of consultation for further feedback and updates** – *3<sup>rd</sup> - 19<sup>th</sup> August*
  - Communicate consultation summary – w/c 22<sup>nd</sup> 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?

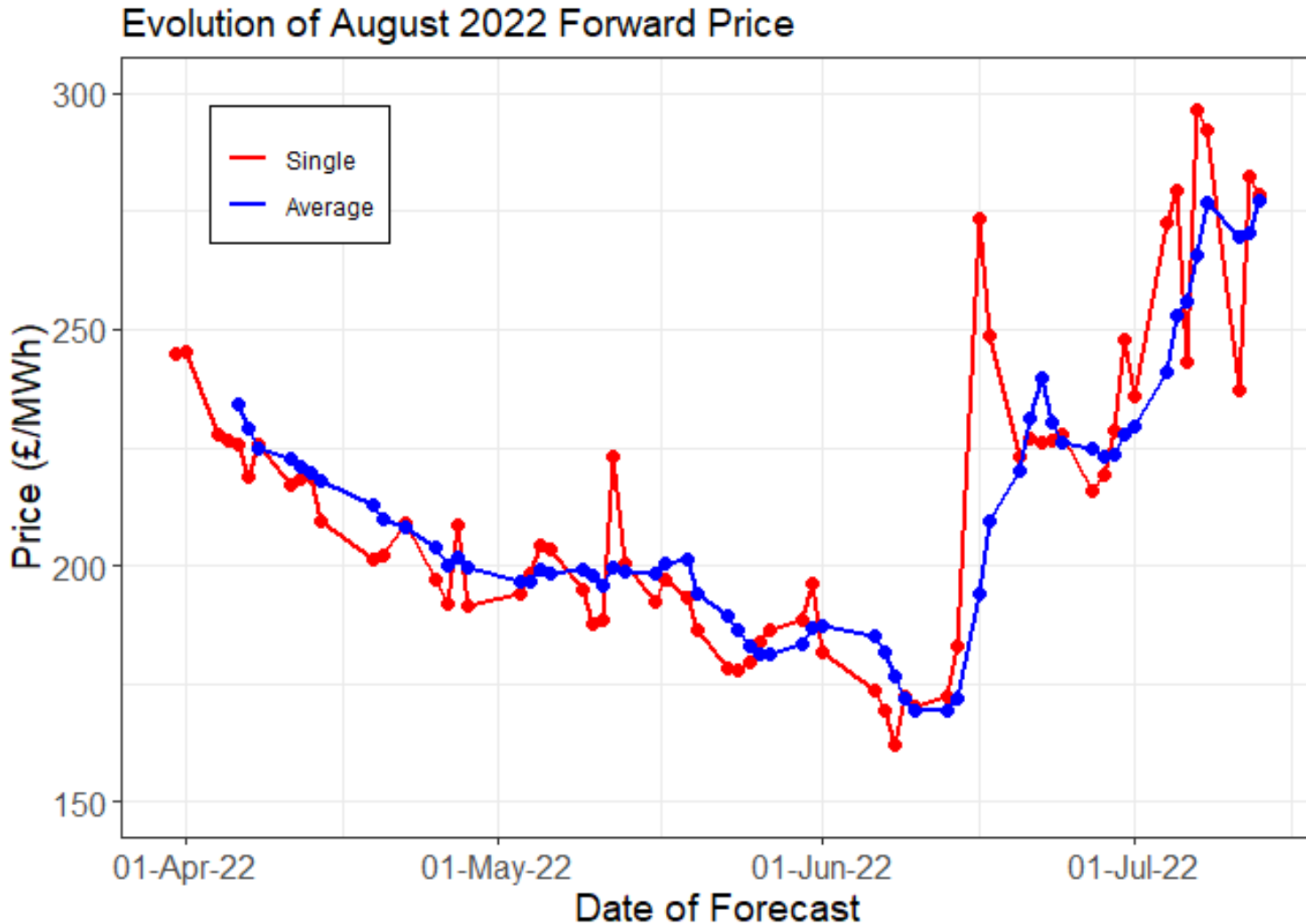




# BSUoS Fixed Tariff Model

Consultation Updates

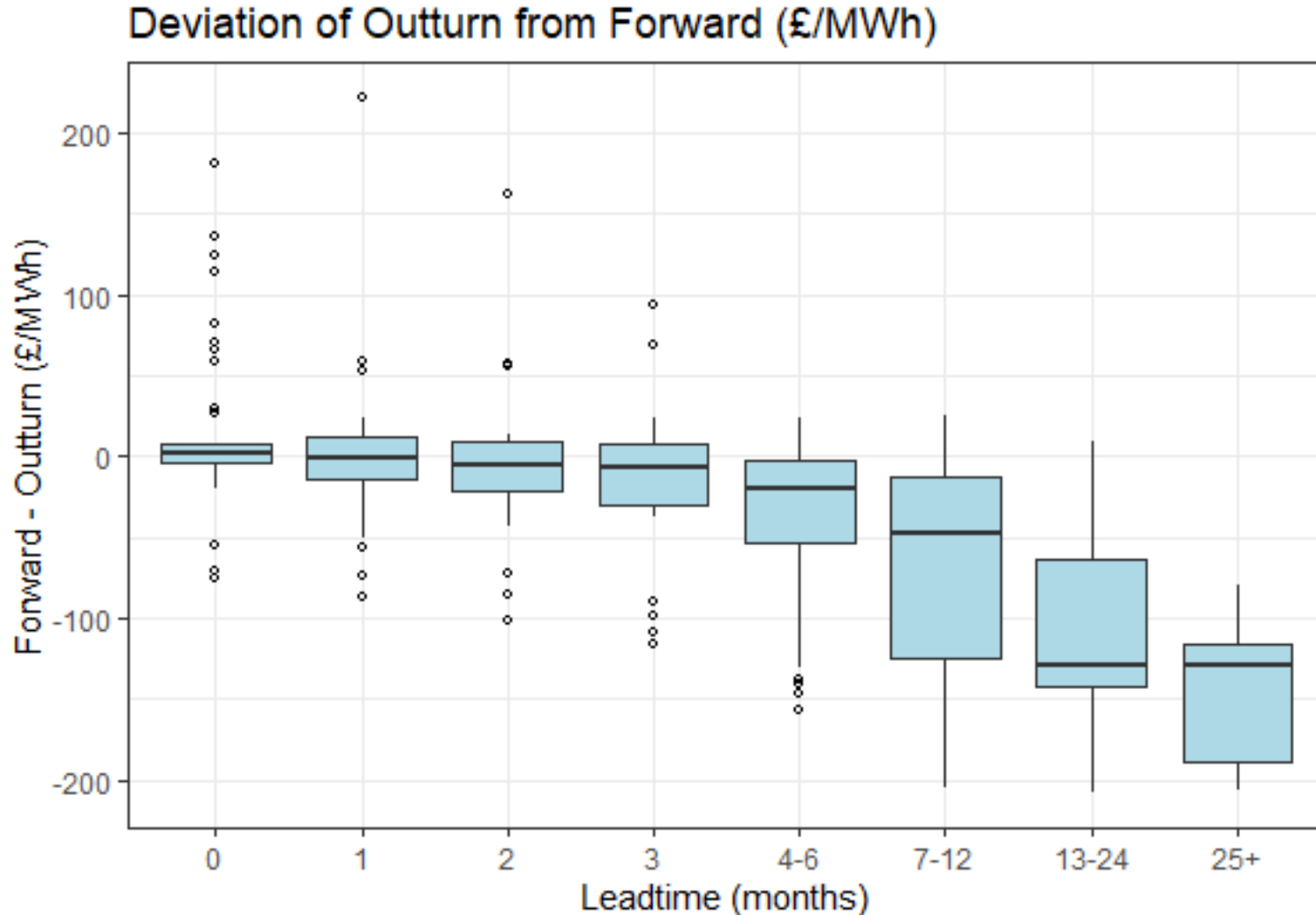
Question: Forecast for 22/23 has ranged from £2.9bn to £4.8bn recently – are these 'teething issues' or a genuine representation of variability of new FC approach?



- 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.



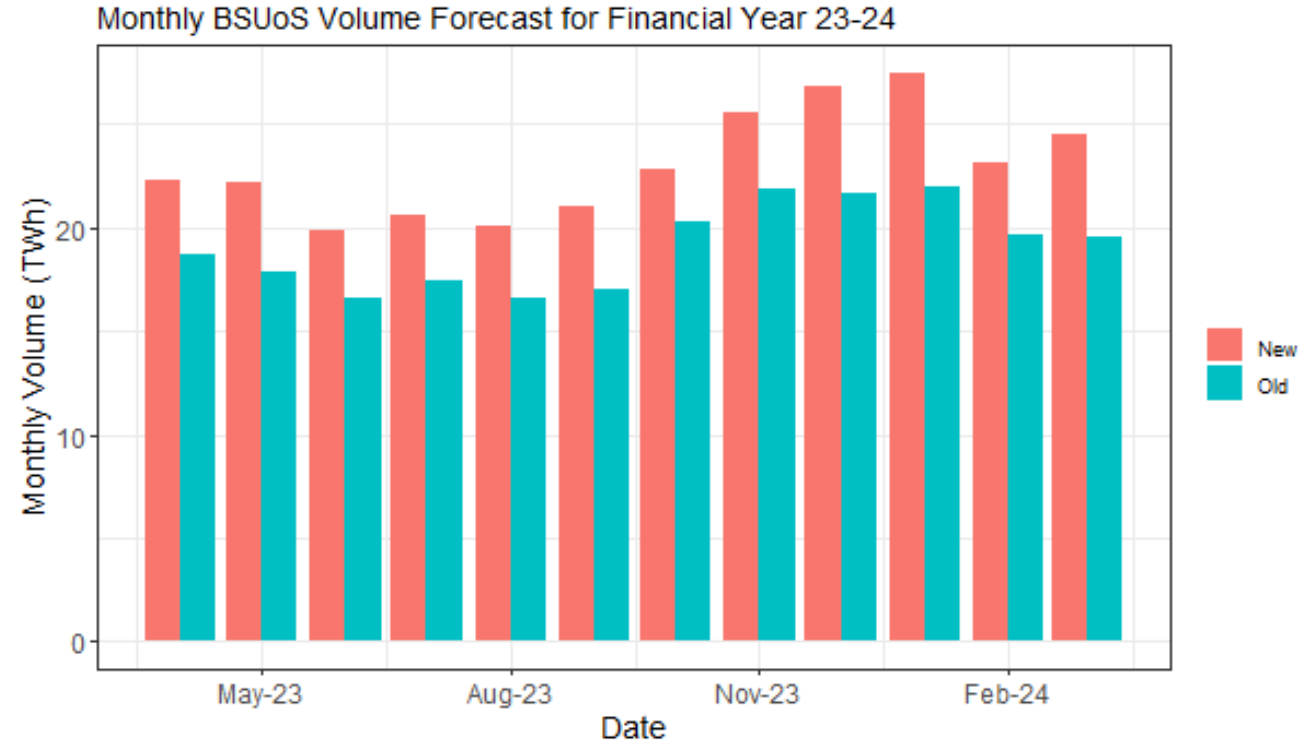
# Question: Have you run analysis of forward curve v. prompt outturn to support your theory and inputs?



- 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.

## 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 NGENO 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



# Q & A

Please open **slido** and enter code: **#1215546**

Joining as a participant?

# Enter code here



# Next Steps

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## **Call to action!**

- *Get in touch with further questions via [bsuos.queries@nationalgrideso.com](mailto: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!*