Fixed BSUoS Tariff Webinar
5th April 2023
A recording of this webinar is available by clicking HERE
We will be recording the session – to be shared on the ESO website for those not able to attend.

Please use teams chat to ask any questions & we will have time at the end to run through them.

If you want to ask a question verbally during the Q&A session please raise your hand to be unmuted.
### BSUoS Fixed Tariff Recap

**Final BSUoS Fixed Tariffs Published 31/01/2023**

#### CMP408 Change tariff notice period to 3 months
- **16/03/2023**

#### TCMF Sub group looking at fund + wider remit
- **22/03/2023**

#### CAB change implementation
- **31/03/2023**

#### Move Forecast to Revenue team
- **01/04/2023**

#### Industry Webinar to discuss reporting/tariff reset methods
- **05/04/2023**

#### Fixed Tariff II – First Run
- **12/04/2023**

#### Fixed Tariff SF – First Run
- **27/04/2023**

#### Draft Tariff for P3 - Apr 2024 to Sep 2024
- **30/04/2023**

#### Final Tariff for P3 - Apr 2024 to Sep 2024
- **31/06/2023**

#### Draft Tariff for P4 - Oct 2024 to Mar 2025
- **30/09/2023**

#### BSUoS billing moves to STAR system
- **>31/05/2024**

**Note:** Above tariff timetable could change as a result of CMP408
What's the same

- Invoiced daily on SF and RF settlement data
- Information provided daily on II settlement data
- 3 day payment terms for invoices
- Chargeable on final demand volume at the BMU level at a price per MWh
- Aggregated at BSC party level for invoicing
- We will continue to provide web prices, additional data added to this report
- BPA report undergone minor changes
- Payment calendar will continue to drive billing run timings
- **RF Run continues to be calculated/invoiced in variable tariff methodology**

What's different

- The price/tariff is fixed rather than changing every settlement period
- BSUoS charges will be levied on final demand only
- There will be no change of cost at the RF stage, volume only adjustment
- BCR report no longer able to be produced
- We will report weekly on the variance between the recovery and the actual balancing spend
- Tariff forecasts will be produced on a quarterly basis
## Final Tariff Reminder

### Financial Year 2023/24 - Tariff 1

<table>
<thead>
<tr>
<th>Description</th>
<th>Final Tariff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balancing Costs (Central) £m</td>
<td>1387</td>
</tr>
<tr>
<td>Internal Costs £m</td>
<td>215.95</td>
</tr>
<tr>
<td>CMP395 Recovery</td>
<td>Included in Balancing Costs</td>
</tr>
<tr>
<td>Winter Security of Supply £m</td>
<td>87.5</td>
</tr>
<tr>
<td>Total BSUoS £m</td>
<td>1690.45</td>
</tr>
<tr>
<td>Estimated BSUoS Volume TWh</td>
<td>126.1</td>
</tr>
<tr>
<td>BSUoS Tariff £/MWh</td>
<td>£13.41</td>
</tr>
</tbody>
</table>

### Financial Year 2023/24 - Tariff 2

<table>
<thead>
<tr>
<th>Description</th>
<th>Final Tariff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balancing Costs (Central) £m</td>
<td>1803</td>
</tr>
<tr>
<td>Internal Costs £m</td>
<td>215.95</td>
</tr>
<tr>
<td>CMP395 Recovery</td>
<td>Included in Balancing Costs</td>
</tr>
<tr>
<td>Winter Security of Supply £m</td>
<td>87.5</td>
</tr>
<tr>
<td>Total BSUoS £m</td>
<td>2106.45</td>
</tr>
<tr>
<td>Estimated BSUoS Volume TWh</td>
<td>150.1</td>
</tr>
<tr>
<td>BSUoS Tariff £/MWh</td>
<td>£14.03</td>
</tr>
</tbody>
</table>
Tariff Recovery v Latest Forecast

Revenue and Costs Fixed Period 1

Forecast cash position at end of fixed period 1

£131m
Tariff Recovery v Latest Forecast

Forecast cash position at end of fixed period 2

£334m
Cumulative cash position

Cumulative difference revenue against cost (£m)
Positive = Cash in

£m

01/06/2023
01/07/2023
01/08/2023
01/09/2023
01/10/2023
01/11/2023
01/12/2023
01/01/2024
01/02/2024
01/03/2024
In the previous webinar we received a question on the likelihood of a mid-period tariff reset.

- Our analysis shows a **35% chance of tariff reset before the end of Mar-24**.
- A ‘reset’ is assumed if the running total of income from the tariff, plus the initial £300m working capital fund, is less than the total of the cumulative expenditure.
- The only volatility considered is in the Balancing Costs component of the BSUoS Tariff. Other elements (e.g. BSUoS volumes, internal costs, or the Winter 23/24 Security of Supply components) are assumed to outturn as forecast at final tariff setting.
- The analysis uses a simulation-based approach where each simulation is given an equal likelihood of occurring.
- The calculation is based on the forecast published in Mar-23. The probabilities will change for each forecast as the new best view of costs deviates from the set tariffs.
Model Improvements

- 2 Prior industry consultations regards the model
- Minor updates implemented based on industry feedback.

Ongoing work by Modelling and Insights team:
- Investigating new methods for deriving wholesale electricity forward curve.
- Reviewing best approach for incorporating constraint cost forecast
- Innovation project with the Hartree Centre:
  - Investigating the scope for using Machine Learning methods for forecasting monthly balancing costs
  - Short-term daily balancing cost forecast
  - Project runs until end 2023
Balancing Mechanism Costs
Updated Daily from Control Room report, then replaced by later views

GTMA Trades
Updated Daily from Control Room report, then replaced by later views

Ancillary Services
Updated Weekly from Settlements Team

Deferred & Other Costs (Internal income, WC contracts etc.)
Known amounts held in tracking file. Reviewed periodically

Actual Volume
Updated D+5WD (II) & D+16WD (SF)

Actual BSUoS Costs that need recovering
1

Actual Recovery
4
2 × 3

‘Notional’ WCF Usage
1 – 4
Actual: Reported daily (internal)
Forecast: Reported Fortnightly or as required (internal)

Report to Ofgem & Industry (Monthly)

Run Forecast for next 2 years
Fortnightly

Fixed Tariff In Force
3
BSUoS Costs that need recovering

> £30m in a day
(Daily check)

Chart 2

> £120m in a week
(Daily check)

Chart 2

> £150m higher than forecast in any month
(Fortnightly check)

Chart 2

> £200m on a cumulative financial actual YTD basis
(Daily check)

Chart 2

> £200m forecast at any future point in current and next fixed tariff periods
(Fortnightly check)

Chart 2

Stop

'Notional' WCF Usage
Actual: Reported daily
Forecast: Reported Fortnightly or as required

No

Yes

Stop

Chart 2

Chart 2

Chart 2

Chart 2

Chart 2
From Chart 1

Is this the first time a threshold is breached?

Yes

No

Run forecast model

Does the forecast show the WCF threshold will be breached in the current or next fixed tariff period?

No

Stop

Yes

Do we need to wait for additional data to display consistency?

Monitor team decision

Yes

Stop

No

Chart 3
Prepare options internally and recommend which is best:

1. Assume immediate reset and calculate what tariff would be for this and next fixed period if recalculated now.
2. Assume that preference is to wait for a month. If nothing changes, calculate what the tariff would be for this and next fixed period (using currently known information).
3. Do nothing but maintain awareness.

Tariff reset being implemented:
- Publish revised tariffs and update billing systems

Tariff reset not being implemented:
- Return to Chart 1 and Start Over
Q&A

• Please enter your questions in teams chat

• If you would like to ask a question verbally then please raise your hand so that you can be unmuted

• If you have any questions or feedback after this webinar please email bsuos.queries@nationalgrideso.com and put “BSUoS Fixed Tariff April 2023 Webinar” in the subject line of your email

Thank you for your time and input today!