

BSUoS – ESO Incentive 2020/21

Key Points

- The ESO incentive is determined by Ofgem at year end based on the recommendation of an independent panel.
- Under normal circumstances the ESO incentive is recovered in that same years BSUoS SF run against a forecast and reconciled via RF run based on Ofgem’s decision.
- The recovery of the 2020/21 ESO incentive was put on hold as part of the ESO response to support the industry through the COVID-19 pandemic.
- Ofgem awarded the ESO an incentive of £5m for the 2020/21 charging year ([30th July Ofgem letter](#))
- Having engaged with some of the industry parties and considered feedback from previous recovery discussions with the industry, the ESO are minded to recover the 2020/21 ESO incentive through the remainder of the SF run for the 2021/22 charging year.
- Ofgem approval for this recovery approach would be sought with recovery via the SF run starting in October 2021.
- Assuming recovery from 1st October 2021 to 31st March 2021 settlement day, there would be a daily recovery amount of £27,472.53

| 2020/21 BSUoS Scheme Year | | | | | | | | | | | | 2021/22 BSUoS Scheme Year | | | | | | | | | | | | | | |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------------------|--------|--------|--------|--------|--------|------------------------------|--|--------|--------|--------|--------|--|--|--|
| Apr-20 | May-20 | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 | Dec-20 | Jan-21 | Feb-21 | Mar-21 | Apr-21 | May-21 | Jun-21 | Jul-21 | Aug-21 | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 | | | |
| | | | | | | | | | | | | | | | | | | | 2020/21 incentive Recovery Period £5m | | | | | | | |
| Daily Recovery of £0 | | | | | | | | | | | | | | | | | | Daily Recovery of £27,472.53 | | | | | | | | |

BSUoS – ESO Incentive 2021/22 & 2022/23

Key Points

- For the 2021/22 and 2022/23 charging years the ESO Incentive arrangements have been revised by Ofgem to complement the regulatory arrangements for the ESO under the RIIO-2 price control. ([ESORI guidance Ofgem](#))
- The ESO incentive scheme will run as a two-year scheme with a final determination of the incentive by Ofgem in August 2023. It was agreed with Ofgem that the incentive forecast for the first year of RIIO2 was set to zero consistent with other licensees.
- We currently forecast £10m for the two-year scheme and are proposing that we recover the forecast 2021/22 and 2022/23 incentives together in the 2022/23 BSUoS charging year.
- Assuming recovery from 1st April 2022 to 31st March 2023 settlement day, there would be a daily recovery amount of £27,397.26
- The intention of phasing the recoveries in this way is to smooth out the impact that the incentive recovery has on overall BSUoS charges.

| 2020/21 BSUoS Scheme Year | | | | | | | | | | | | 2021/22 BSUoS Scheme Year | | | | | | | | | | 2022/23 BSUoS Scheme Year | | | | | | | | | | | | | |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------------------|--------|--------|--------|--------|--------|------------------------------|--|--------|--------|---------------------------|------------------------------|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Apr-20 | May-20 | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 | Dec-20 | Jan-21 | Feb-21 | Mar-21 | Apr-21 | May-21 | Jun-21 | Jul-21 | Aug-21 | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 |
| | | | | | | | | | | | | | | | | | | | 2020/21 incentive Recovery Period £5m | | | | | 2021/22 and 2022/23 incentive Recovery Period £10m | | | | | | | | | | | |
| Daily Recovery of £0 | | | | | | | | | | | | | | | | | | Daily Recovery of £27,472.53 | | | | | Daily Recovery of £27,397.26 | | | | | | | | | | | | |

BSUoS – Controls Enhancement

Following on from the incident that led to the failure to timely recover BSUoS for FY21, PwC were appointed to support the ESO in looking to further enhance our end – to – end Control environment

What was the programme of work

The ESO team, supported by PwC have performed an in-depth review of the key processes, controls and spreadsheets within the BSUoS process.

Focus has been on enhancing existing controls prior to further automation which will be delivered in April 23 through delivery of new Charging and Billing system

Outputs

1. Establishment of a revised monthly end-to-end BSUoS Revenue Governance group
2. Creation of our granular RACI to better refine responsibilities and accountabilities across teams
3. Enhanced oversight of data, through greater use of four eye checks and reconciliations – supported with evidence of control execution
4. Unified data objects and definitions utilised across the whole BSUoS process
5. Enhanced controls and checks added to core process steps