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Changes shown in red text

Section 2 – The Statement of the Balancing Services Use of System Charging Methodology

14.29 Principles

- 14.29.1 The Transmission Licence allows The Company to derive revenue in respect of the Balancing Services Activity through the Balancing Services Use of System (BSUoS) charges. This statement explains the methodology used in order to calculate the BSUoS charges.
- 14.29.2 The Balancing Services Activity is defined in the Transmission Licence as the activity undertaken by The Company as part of the Transmission Business including the operation of the transmission system and the procuring and using of Balancing Services for the purpose of balancing the transmission system.
- 14.29.3 The Company keeps the electricity system in balance (energy balancing) and maintains the quality and security of supply (system balancing). The Company is incentivised on the procurement and utilisation of services to maintain the energy and system balance and other costs associated with operating the system. Users pay for the cost of these services and any incentivised payment/receipts through the BSUoS charge.
- 14.29.4 All CUSC Parties acting as Generators and Suppliers (for the avoidance of doubt excluding all BMUs and Trading Units associated with either Interconnectors or Virtual Lead Parties) are liable for Balancing Services Use of System charges based on their energy taken from or supplied to the National Grid system in each half-hour Settlement Period.
- 14.29.5 BSUoS charges comprise the following costs:
- (i) The Total Costs of the Balancing Mechanism
 - (ii) Total Balancing Services Contract costs
 - (iii) Payments/Receipts from The Company's incentive schemes
 - (iv) Internal costs of operating the System
 - (v) Costs associated with contracting for and developing Balancing Services
 - (vi) Adjustments
 - (vii) Costs invoiced to The Company associated with Manifest Errors and Special Provisions.
 - (viii) BETTA implementation costs
 - (ix) Financing and administrative costs, as agreed by The Authority, associated with the management of the Covid Support Scheme in 14.30.12 and **Exceptional Costs Support Scheme in 14.30.21.**

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14.30 Calculation of the Daily Balancing Services Use of System charge

Calculation of the Daily Balancing Services Use of System charge

14.30.1 The BSUoS charge payable by customer c, on Settlement Day d, will be calculated in accordance with the following formula:

$$BSUoSOT_{cd} = \sum_{i \in c} \sum_{j \in d} BSUoSOT_{ij}$$

Where:

- i - refers to the individual BM Unit
- j - refers to an individual Settlement Period
- $\sum_{i \in c} \sum_{j \in d}$ - refers to the sum over all BM units 'i', for which customer 'c' is the Lead Party* summed over all Settlement Periods 'j' on a Settlement Day 'd'

14.30.2 The BSUoS tariff for each settlement period is calculated by the following formula:

$$BSUoS_{tariff_j} = \frac{BSUoSOT_j}{TQM_j + SGQM_j}$$

Where:

- $BSUoSOT_j$ - refers to the total BSUoS Charge that needs to be recovered for Settlement Period j
- TQM_j – refers to the total Transmission Connected Site BM Unit Metered Volume for Settlement Period j
- $SGQM_j$ – refers to the Gross Demand BM Unit Volume for Settlement Period j

14.30.3 A Supplier BM Unit's and Exempt Export BM Unit's charge is calculated by the following formula:

$$BSUoSOT_{ij} = BSUoS_{tariff_j} \times SGQM_{ij}$$

14.30.4 All other BSUoS liable customers with a Bilateral Agreement with The Company will have their charge calculated by the following formula:

$$BSUoSOT_{ij} = BSUoS_{tariff_j} \times TQM_{ij}$$

* or CUSC party associated with the BMUnits (listed in Appendix C of the BEGA) who is exempt from also being a BSC Party

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Interconnector BM Units

- 14.30.5 BM Unit and Trading Units associated with Interconnectors, including those associated with the Interconnector Error Administrator, are not liable for BSUoS charges. BM Units, including Secondary BM Units, which are associated with Virtual Lead Parties are not liable for BSUoS charges.

Storage Facilities

- 14.30.6 The BM Units associated with CVA Storage Facilities will not be charged BSUoS against imported volumes where the imports of that BM Unit are solely for the purposes of operating that CVA Storage Facility.
- 14.30.7 Where the BM Unit is a Supplier BM Unit and one or more SVA Storage Facilities are registered to that Supplier BM Unit, the Supplier shall be liable for BSUoS in accordance with 14.30.3, excluding any imports to such SVA Storage Facilities where those imports are solely for the purposes of operating that Storage Facility.
- 14.30.8 In all cases, where a facility ceases to be a CVA Storage Facility, the exemption in para 14.30.6 shall no longer apply. The User, shall inform The Company as soon as is reasonably practicable and in any event no more than 5 Working Days from the date on which the facility ceased to be a CVA Storage Facility.

Total BSUoS Charge (Internal + External) for each Settlement Period ($BSUoS_{TOT_{jd}}$)

- 14.30.9 The Total BSUoS charges for each Settlement Period ($BSUoS_{TOT_{jd}}$) for a particular day are calculated by summing the external BSUoS charge ($BSUoS_{EXT_{jd}}$) and internal BSUoS charge ($BSUoS_{INT_{jd}}$) for each Settlement Period.

$$BSUoS_{TOT_{jd}} = BSUoS_{EXT_{jd}} + BSUoS_{INT_{jd}}$$

External BSUoS Charge for each Settlement Period ($BSUoS_{EXT_{jd}}$)

- 14.30.10 The External BSUoS Charges for each Settlement Period ($BSUoS_{EXT_{jd}}$) are calculated by taking each Settlement Period System Operator BM Cash Flow ($CSOBM_i$) and Balancing Service Variable Contract Cost ($BSCCV_i$) and allocating the daily elements on a MWh basis across each Settlement Period in a day.

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$$\begin{aligned} BSUoS_{EXT}_{jd} &= CSOBM_{jd} + BSCCV_{jd} \\ &+ [(BSCCA_d + TotAdj_d - OM_d + BSC_d + SOTOC_d + LOCTRU_d + BSUoS_{CCOVID}_d) \\ &* (TQM_{ijd} + SGQM_{ijd}) / \\ &\sum_{j \in d} (TQM_{ij} + SGQM_{ij})] \end{aligned}$$

Internal BSUoS Charge for each Settlement Period (BSUoSINT_{jd})

14.30.11 The Internal BSUoS Charges (BSUoSINT_{jd}) for each Settlement Period j for a particular day are calculated by taking the incentivised and non-incentivised SO Internal Costs (as determined in line with Transmission Licence Special Condition 4.1) for each Settlement Day allocated on a MWh basis across each Settlement Period in a day.

$$\begin{aligned} BSUoS_{INT}_{jd} &= [(ADJR_d + SOLAR_d)] \\ &* (TQM_{ijd} + SGQM_{ijd}) / \sum_{j \in d} (TQM_{ij} + SGQM_{ij}) \end{aligned}$$

Inclusion of Profiling Factors

14.30.12 Profiling factors have been included to give an effective mechanism for calculating a representative level of the incentive payments to/from The Company according to the time of year. All PFT_k are assumed to be one for the duration of the current external incentive scheme

Covid-19 specific changes

14.30.13 As a result of the Coronavirus-19 (Covid-19) pandemic, The Company will make specific and time-limited changes to the BSUoS methodology in this Section 2 to support those Users identified in 14.29.4. This will consist of deferring the BSUoS costs associated with Covid-19 (“Covid Costs”) from the calculation in 14.30.9 to a later date as described in 14.30.14 and 14.30.15 (the “Covid Support Scheme”).

14.30.14 Covid Costs shall be calculated as;

$$\begin{aligned} \text{If } BSUoS_{TOT}_j &\leq COVIDCAP_{TOT}_j, \text{ then } BSUoS_{COVID}_j = £0 \\ \text{Or } BSUoS_{TOT}_j &> COVIDCAP_{TOT}_j, \text{ then } BSUoS_{COVID}_j = BSUoS_{TOT}_j - COVIDCAP_{TOT}_j \end{aligned}$$

Where;

From 25th June 2020 until the Business Day after the Authority’s decision on CMP350, COVIDCAP_{TOTj} is calculated as;

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$$£15/MWh * \left| \sum^+ (QMBSUoS_{ij} * TLM_{ij}) \right| + \left| \sum^- (QMBSUoS_{ij} * TLM_{ij}) \right|$$

And

From the first Settlement Period of the Business Day after the Authority's decision on CMP350 to the Covid Support Scheme End Date, COVIDCAPTOT_j is calculated as;

$$£10/MWh * \left\{ \left| \sum^+ (QMBSUoS_{ij} * TLM_{ij}) \right| + \left| \sum^- (QMBSUoS_{ij} * TLM_{ij}) \right| \right\}$$

14.30.15 Between 2 working days from The Authority's decision on CMP345 and the Covid Support Scheme End Date, the formula in 14.30.9 shall be updated so that Covid Costs (BSUoSCOVId_{jd}) for Settlement Period j in Settlement Day d are removed as follows;

$$BSUoSTOT_{jd} = BSUoSEXT_{jd} + BSUoSINT_{jd} - BSUoSCOVId_{jd}$$

The Covid Support Scheme End Date shall be the earlier of:

1. The 25th October 2020, or,
2. The day as advised by The Company as described in 14.30.18

14.30.16 During the Financial Year 2021/22, the formula in 14.30.9 shall be updated so that Covid Costs (BSUoSCOVId_{jd}) for Settlement Period j in Settlement Day d are added as follows;

$$BSUoSTOT_{jd} = BSUoSEXT_{jd} + BSUoSINT_{jd} + BSUoSCOVId_{jd}$$

Where BSUoSCOVId_{jd}, is the cumulative total Covid Cost of the Covid Support Scheme (including any administrative or financing cost borne by The Company, as agreed by The Authority) recovered equally from each Settlement Period in the Financial Year.

Outside of the date ranges listed in 14.30.15, and 14.30.16 the formula in 14.30.9 shall be unchanged and in effect.

14.30.17 The Company shall provide weekly updates to notify industry of the total Covid Costs removed under paragraphs 14.30.14 and 14.30.15. When BSUoSCOVId_{jd} reaches a value of £60m, The Company shall revise the frequency of these updates to each Business Day from the next Business Day after BSUoSCOVId_{jd} reaches a value of £60m.

14.30.18 When The Company, exercising its reasonable judgement, has reason to believe that the cumulative total for BSUoSCOVId_{jd} since 25th June 2020 could exceed £100m (excluding of VAT), The Company shall notify Users of when the Covid Support Scheme will end. The Company shall give no less than 2 Business Days notice of the Covid Support Scheme ending. Such notice shall be accompanied by an opinion which states that it is the reasonable judgement of The Company that if the Covid Support Scheme continued beyond the notified

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end date then the cumulative total for BSUoSCOV_{jd} from 25th June 2020 would exceed £100m.

2020/21 Under Recovered Costs

14.30.19 Given the circumstances giving rise to the £33,163,790.21 under recovery of external BSUoS costs during financial year 2020/21 (the “2020/21 Under Recovered Costs”, which sum is separate and in addition to the COVID Costs) The Company will make specific and time-limited changes to the BSUoS methodology. This consists of deferring the recovery of the 2020/21 Under Recovered Costs from recovery through the Final Reconciliation Settlement Run (RF) for financial year 2020/21 for Settlement Days 30th September 2020 to 9th March 2021 to a later date as described in 14.30.20

14.30.20 The formula in 14.30.10 shall be updated between 1st October 2021 and 31st March 2022 so that the 2020/21 Under Recovered Costs (BSUoSUR_{20d}) for Settlement Day d are added as follows;

$$\begin{aligned} BSUoSEXT_{jd} = & CSOBM_{jd} + BSCCV_{jd} \\ & + [(BSCCA_d + TotAdj_d - OM_d + BSC_d + SOTOC_d + LOCTRU_d \\ & + BSUoSCCOV_{jd} + BSUoSUR_{20d}) * (TQM_{ijd} \\ & + SGQM_{ijd}) / \sum_{j \in d} (TQM_{ij} + SGQM_{ij})] \end{aligned}$$

Outside of the date range listed in 14.30.20 the formula in 14.30.10 shall be unchanged by 14.30.20.

Temporary BSUoS Cost Deferral

14.30.21 As a result of the exceptional market conditions, **The Company** will make specific and time-limited changes to the BSUoS methodology in this Section 2 to support those **Users** identified in 14.29.4. This will consist of deferring the BSUoS costs associated with the exceptional market conditions (“Exceptional Costs”) above a defined £/MWh value from the calculation in 14.30.9 to a later date as described in 14.30.22 –and 14.30.23 (the “Exceptional Costs Support Scheme”).

14.30.22 Exceptional Costs for **Settlement Period j** (BSUoSEX_{Cj}) shall be calculated as;

If BSUoSTOT_j <= EXCCAPTOT_j, then BSUoSEX_{Cj} = £0
Or BSUoSTOT_j > EXCCAPTOT_j, then BSUoSEX_{Cj} = BSUoSTOT_j - EXCCAPTOT_j

Where EXCCAPTOT_j is calculated as follows;

$$£10/MWh * \left(\sum SGQM_{ij} + \sum TQM_{ij} \right)$$

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14.30.23 From the first **Settlement Period** on the implementation date specified in the **Authority's** decision on CMP381 until the Exceptional Costs Support Scheme End Date, the formula in 14.30.9 and 14.30.16 shall be updated so that Exceptional Costs ($BSUoSEXC_{jd}$) for **Settlement Period** j in **Settlement Day** d are removed as follows;

$$BSUoSTOT_{jd} = BSUoSEXT_{jd} + BSUoSINT_{jd} + BSUoSCOVID_{jd} - BSUoSEXC_{jd}$$

The Exceptional Costs Support Scheme End Date shall be the earlier of:

1. The end of the last **Settlement Period** (23:30 – 00:00) of 31st March 2022, or,
2. The **Settlement Period** as advised by **The Company** in accordance with 14.30.26

14.30.24 During the **Financial Year** 2022/23, the formula in 14.30.10 shall be updated so that Exceptional Costs ($BSUoSEXC_{jd}$) in **Settlement Day** d are added as follows;

$$\begin{aligned} BSUoSEXT_{jd} = & CSOBM_{jd} + BSCCV_{jd} \\ & + [(BSCCA_d + TotAdj_d - OM_d + BSC_d + SOTOC_d + LOCTRU_d \\ & + BSUoSEXC_d) * (TQM_{ijd} \\ & + SGQM_{ijd}) / \sum_{j \in d} (TQM_{ij} + SGQM_{ij})] \end{aligned}$$

Where

$BSUoSEXC_d$, is the cumulative total deferred value of the Exceptional Costs Support Scheme, including any administrative or financing cost borne by **The Company**, as agreed by the **Authority**.

14.30.25 **The Company** shall provide weekly updates to notify industry of the total Exceptional Costs removed under paragraphs 14.30.22 and 14.30.23. When $BSUoSEXC_{jd}$ reaches a value of £180m, **The Company** shall revise the frequency of these updates to each **Business Day** from the next **Business Day**.

14.30.26 The £10/MWh cap (as introduced in paragraph 14.30.22) will not be applied in the first and subsequent **Settlement Periods** where the £300m limit would have otherwise been breached. Once the **Initial Settlement Run** confirming this has been completed, **The Company** will notify **Users** to confirm that the Exceptional Costs Support Scheme has ended, providing the precise **Settlement Day**, **Settlement Period** and value of $BSUoSEXC_d$.