

## Final Modification Report

# CMP415: Amending the Fixed Price Period from 6 to 12 months

**Overview:** This modification is a consequential modification for [CMP408](#), which looks at a change to a definition in Section 11. Amending the Fixed Price Period from 6 months to 12 months.

## Modification process &amp; timetable



**Have 5 minutes?** Read our [Executive summary](#)

**Have 30 minutes?** Read the full [Final Modification Report](#)

**Have 45 minutes?** Read the full Final Modification Report and Annexes.

**Status summary:** This report has been submitted to the Authority for them to decide whether this change should happen.

**Panel recommendation:** The Panel recommended unanimously that the Proposer's Original solution and by majority that WACM1 do not better facilitate the CUSC Applicable Objectives.

**This modification is expected to have a: **High impact**** on Final Demand Users, Suppliers, ESO

**Governance route** Standard Governance modification has been assessed by a Workgroup

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## Executive summary

### What is the issue?

[CMP408](#): Allowing consideration of a different notice period for BSUoS tariff settings required, as part of its terms of reference, consideration of an amendment to the Fixed Price Period of BSUoS in which the definition falls under Section 11 of the CUSC. This modification proposes to change the definition of the Fixed Price Period from 6 months to 12 months and should only be considered for implementation and approval in conjunction with [CMP408](#).

### What is the solution and when will it come into effect?

#### Proposer's solution:

<b>Fixed Price Period:</b> Change from 6 months to 12 months	<b>Implementation Approach:</b> From 1 April to 31 March
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**Implementation date:** 1 April 2024

#### Summary of alternative solution(s) and implementation date(s):

WACM1 - Amending the Fixed Price Period from 6 to 12 months with two seasonal tariffs. This seeks to amend the definition of the Fixed Price Period from 6 months to 12 months but with two seasonal tariffs: a spring summer tariff (1 April to 30 September) and an autumn winter tariff (1 October to 31 March). The split tariff would prevent excessive under-recovery of costs in the summer in comparison to the winter. An under-recovery would mean a tariff reset is needed which would mean increased costs to suppliers and end consumers.

#### Workgroup conclusions:

The Workgroup concluded unanimously that the Original solution, and by majority that WACM1 did not better facilitate the Applicable Objectives than the Baseline.

The Workgroup concluded unanimously that WACM1, and by majority the Original solution, would better facilitate the Applicable Objectives than the Baseline were the change to Section 14 as proposed in [CMP408](#) to be implemented.

**Panel recommendation:** The Panel recommended unanimously that the Proposer's Original solution and by majority that WACM1 do not better facilitate the CUSC Applicable Objectives.

### What is the impact if this change is made?

The shorter notice period combined with the longer fixed period, allows for suppliers to price longer contracts with more price certainty. A longer fixed period allows for suppliers to reduce the risk premia being built into BSUoS prices due to a longer period of certainty. By increasing the fixed period and reducing the notice period this falls in line with the results from the Second BSUoS Taskforce of a 15 month overall combined period.

## ESO

The shorter notice period allows for more accurate forecasting for BSUoS costs with less risk of tariff reset during the fixed period, or even during the notice period. The Proposer believes this should allow a reduction in risks premia being charged to customers.

### Interactions

[CMP415](#) and WACM1 are the result of [CMP408](#) Workgroup discussions, however, as a charging proposal [CMP408](#) could not modify Section 11 of the CUSC. This modification should only be considered in conjunction with [CMP408](#) in terms of approval and implementation.

## What is the issue?

BSUoS charges are how the ESO recovers the costs associated with balancing the electricity system. [CMP361 and CMP362](#) were raised to implement the recommendation of the second Balancing services Taskforce to recover BSUoS charges as a flat volumetric charge set on an ex-ante basis. This is in addition to [CMP308](#), which following its [approval in April 2022](#) will move BSUoS charges to final demand only. All were implemented 1 April 2023.

In October 2022, Ofgem consulted on their position for [CMP361 and CMP362](#) and received consultation responses indicating that BSUoS certainty is important, particularly avoiding mid-period tariff resets.

In December 2022, Ofgem approved the [CMP361 WACM 3](#), which identifies a 9 month notice and 6 month fix for BSUoS tariffs. Ofgem also noted in their [CMP361 decision letter](#):

*“As per our minded-to decision, we continue to believe that a 3 month Notice Period strikes the appropriate balance between providing Suppliers with sufficient advance notice of charges and mitigating the risk of inaccuracy in a forecast set in advance of the timeframe to which it relates”.*

Therefore, [CMP408: Allowing consideration of a different notice period for BSUoS tariff settings](#) was raised as a charging modification to amend the Notice Period from 9 months to 3 months for the Fixed BSUoS tariffs within Section 14.

Under the terms of reference there is consideration of an amendment to the Fixed Price Period of BSUoS in which the definition falls under Section 11, which is a non-charging section, of the CUSC.

This modification proposes change the definition of the Fixed Price Period from 6 months to 12 months.

## Why change?

[CMP408](#) modification proposal will be assessed under the CUSC Charging Applicable Objectives (applicable to Section 14 only).

Discussions within [CMP408](#) led to this modification being raised due to an additional change falling outside of Section 14. The proposed change is being made to Section 11 amending the definition of the Fixed Price Period from 6 months to 12 months.

This modification should only be considered in conjunction with [CMP408](#) in terms of approval and implementation.

## What is the solution?

### Proposer's solution

This modification should be considered in conjunction with [CMP408](#) in terms of approval and implementation.

This change relates to a definition of Fixed Price Period in Section 11.

<b>Fixed Price Period:</b> Change from 6 months to 12 months	<b>Implementation Approach:</b> From 1 April to 31 March
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## Workgroup considerations

The Workgroup convened once on 02 August 2023 as part of a reconvened [CMP408](#) Workgroup to discuss the perceived issue, detail the scope of the proposed defect, devise potential solutions, and assess the proposal in terms of the Applicable Objectives.

### **Output of CMP408: Allowing consideration of a different notice period for BSUoS tariff settings**

The [CMP415](#) Original solution and WACM1 were initially raised as Alternates through discussions within [CMP408](#): Allowing consideration of a different notice period for BSUoS tariff settings modification (see [CMP408 Workgroup Report](#) for full details).

[CMP415](#) Original solution and WACM1 relate to the duration of the Fixed Price Period, to retain the overall 15 months of certainty, as a proposed change to CUSC (non-charging) Section 11 whereas [CMP408](#) proposes to change the Notice Period is within (charging) Section 14.

Therefore, [CMP415](#) should only be considered in conjunction with [CMP408](#) in terms of approval and implementation.

### **Consideration of the proposer's Original solution**

Through the [CMP408](#) Workgroup Consultation some responses indicated a preference for a longer fixed period with several members referencing 12 months. The [CMP408](#) Proposer raised the potential issue of seasonality explaining a single tariff set within a year, under some forecast scenarios, is not always guaranteed. The ESO could significantly under recover during the summer months then recover this shortfall during the winter. It was suggested, given the significant increase in BSUoS costs from 2022 to 2023, there is a risk ESO's Working Capital would be fully utilised in summer before it is rebuilt up over the winter leading to increased likelihood of a mid-year tariff reset. The Proposer indicated this was the reason why ESO have stayed with the 6 months fixed period.

A [CMP408](#) Workgroup member questioned if the 12 month fixed period could have a summer and winter tariff, or does it have to be the same rate for each month? The Proposer clarified a summer and winter tariff is forecast at the beginning of the twelve months and stays the same throughout the year explaining this is different from having two 6 month tariffs.

The Proposer explained this had been raised to shorten the notice period and extend the fixed period. This proposal will maintain the 15 months combined period recommended by the second BSUoS Taskforce.

During a [CMP408](#) Workgroup, the Authority Representative indicated that Ofgem are open to different combinations of notice/fixed periods, but most importantly the benefit to consumers for this combination needs to be clear. The Ofgem Rep stated it was essential to have evidence on how the 12 month fixed term is more beneficial than the current 6 month baseline and an understanding of why increasing the risk of a tariff reset would be more beneficial than including risk premia. [CMP408](#) Workgroup Members agreed to share information with Ofgem offline.

### **Workgroup Alternative CUSC Modification (WACM) Overview**

Alternative 1 was voted by (7 out of 7) to become WACM1 and proposes a 3 month notice period, followed by 12 months fixed, including a separate summer and winter tariff.

The split tariffs over a 12 month fixed period provides increased accuracy to suppliers when setting BSUoS related costs over that of one tariff within a 12 month fixed period, while still providing the sufficient notice of these tariffs for suppliers to price contracts.

This change differs to Original as it allows for a better risk management method of the ESO Working Capital Facility (WCF). The allowance of two tariffs within a 12 month Fixed Period, can reduce the likelihood of the ESO's working capital fund being depleted, reducing the likelihood of tariff resets within a fixed period while still providing the certainty to suppliers of BSUoS costs. The impact is that suppliers can further reduce risk premia being built into their prices which lowers costs to end consumers.

#### Why is Seasonality important?

A fixed BSUoS charge applied on a £/MWh basis means the value of BSUoS recovered across a financial year by the ESO is directly related to the total BSUoS volume across that same year. However, the BSUoS costs incurred are not related to this and can be relatively flat across the year. With a single fixed £/MWh charge (one tariff), the natural annual volume curve across the year means that ESO would always recover less revenue in the April to September period than we would in the October to March period. Given the higher BSUoS costs that have been seen in 2022/2023 there is a risk that the ESO's WCF fund is significantly depleted, increasing the risk of a mid-year tariff change being needed, which erodes the benefits of fixed BSUoS to suppliers and end consumers on price certainty. This solution is therefore proactive in preventing this from happening by allowing a spring summer tariff (1 April to 30 September) and an autumn winter tariff (1 October to 31 March).

With a 12 month fixed tariff and all other things being equal, ESO would most likely under recover during the first 6 months of the scheme, then as the higher demand volume was seen in the second 6 months that shortfall would be caught up, ideally revenue and costs equalling each other at the end of March. With the financial year split into two 6 month tariffs, the effects of any under recovery due to volume are halved because you get to that point where revenue and costs equal each other twice a year, at the end of each fixed tariff period.

## ESO

This change would help support the ESO's working capital and market mechanisms while ensuring that the result will be cash neutral across the whole of the financial year so that there is no additional cost to suppliers and end consumers.

This therefore offers suppliers the longer fixed period, whilst providing additional certainty over BSUoS costs via the two tariffs which not only reduces the need for risk premia but also reduces the likelihood of the ESO working capital fund being depleted within a fixed period, subsequently reducing the likelihood of tariff resets within a fixed period.

Full seasonality analysis can be found in Annex 5.

### Difference in Risk to the ESO WCF

- [CMP408](#) looks at a **9 month total combined period** for Fixed BSUoS (3 month notice, 6 month fixed)
  - This lowers the risk of the ESO WCF being depleted due to the shorter fixed period meaning there is less time for the ESO WCF to be fully utilised. This therefore aids in a reduction in risk of a tariff reset mid fixed period.
- [CMP415](#) looks at a **15 month total combined period** for Fixed BSUoS (3 month notice, 12 month fixed)
  - With a longer fixed period, this increases the risk of the ESO WCF being fully utilised, compared to that of [CMP408](#), which subsequently increases the risk of tariff resets within a fixed period.
- **WACM 1** in [CMP415](#) looks at a **15 month total combined period** for Fixed BSUoS (3 month notice, 12 months fixed with **two seasonal tariffs**)
  - Although this also has the same longer fixed period as [CMP415](#), the two tariffs reduce the risk of the ESO WCF being utilised as the two seasonal tariffs can take into account the issue of seasonality which is not addressed in [CMP415](#). This can reduce the risk seen in [CMP415](#) of tariff resets within a fixed period.

### **Workgroup Vote Rationale**

The [CMP415](#) Original solution and WACM1 update the Fixed Price Period definition (see Annex 3) within Section 11 of the CUSC. When providing their assessment for the proposed solutions, the Workgroup is required to vote against the current Section 11 CUSC baseline (Annex 6).

However, as the [CMP415](#) Original solution and WACM1 have been developed alongside the proposed change to the Notice Period from 9 months to 3 months for the Fixed BSUoS tariffs within Section 14 (via [CMP408](#)). The Workgroup held a second illustrative vote to reflect their assessment for the proposed solutions were the [CMP408](#) change approved (Annex 7).



**Legal text**

Full legal text can be found in Annex 3.

Original (Page 32)

**“Fixed Price Period”**

the period of time during which the **Fixed BSUoS Price** applies. Each **Fixed Price Period** shall apply for ~~six~~ twelve months, from 1st April to ~~30th September and 1st October to~~ 31st March;

WACM1 (Page 32)

**“Fixed Price Period”**

the period of time during which the **Fixed BSUoS Price** applies. Each **Fixed Price Period** shall apply for ~~six~~ twelve months, from 1st April to ~~30th September and 1st October to~~ 31st March, comprising:

- (a) the Spring Summer Tariff (1st April to 30th September); and  
 (b) the Autumn Winter Tariff (1st October to 31st March).

**What is the impact of this change?****Proposer’s assessment against CUSC Non-Charging Objectives**

<b>Relevant Objective</b>	<b>Identified impact</b>
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	<b>Neutral</b>
(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;	<b>Positive</b> A longer fixed period allows for suppliers to reduce the risk premia being built into BSUoS prices due to a longer period of certainty. By increasing the fixed period and reducing the notice period this falls in line with the results from the Second BSUoS Taskforce of a 15 month overall combined period.
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	<b>Neutral</b>
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	<b>Neutral</b>

\*The Electricity Regulation referred to in objective (c) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.

## **Workgroup Vote**

The Workgroup met on 02 August 2023 to carry out their Workgroup vote. The full Workgroup vote can be found in Annex 6 and Annex 7. The table below provides a summary of the Workgroup members view on the best option to implement this change.

### **The Applicable non-charging CUSC Objectives are:**

- a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;
- b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;
- c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency \*; and
- d) Promoting efficiency in the implementation and administration of the CUSC arrangements.

\*The Electricity Regulation referred to in objective (c) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.

The Workgroup concluded unanimously that the Original solution, and by majority that WACM1 did not better facilitate the Applicable Objectives than the Baseline (Annex 6).

Option	Number of voters that voted this option as better than the Baseline
Original	0
WACM1	2

The Workgroup concluded unanimously that WACM1, and by majority the Original solution, would better facilitate the Applicable Objectives than the Baseline were the change to Section 14 as proposed in [CMP408](#) to be implemented (Annex 7).

Option	Number of voters that voted this option as better than the Baseline
Original	6
WACM1	7

## **Code Administrator Consultation Summary**

The Code Administrator Consultation was issued on the 16 August 2023 closed on 13 September 2023 and received 6 non-confidential responses and 0 confidential

responses. A summary of the responses can be found in the table below, and the full responses can be found in Annex 9.

Code Administrator Consultation summary	
Question	
Do you believe that the CMP415 Original Proposal or WACM1 better facilitates the Applicable CUSC Objectives?	Two respondents stated the Original Proposal and WACM 1 better facilitates objective b.
Do you have a preferred proposed solution?	Four respondents preferred the Baseline.  Two respondents stated their preferred option was WACM1.
Do you support the proposed implementation approach?	Two respondents stated they support the proposed implementation approach. One respondent further clarified they would only support implementation of CMP415 WACM1 if CMP408 is passed.  Two respondents stated they did not agree any change should result in tariffs being replaced.
Do you have any other comments?	Three respondents supportive of WACM1 gave the following reasons: <ul style="list-style-type: none"> <li>• Having a longer notice period increases price certainty for suppliers so no risk of premium charge to customers is required.</li> <li>• It is in line with the recommendation of the second BSUoS Task Force of a total 15 month combined period.</li> <li>• A summer tariff from CMP361 and CMP362 is already published, and suppliers have already agreed contracts.</li> <li>• Supports the ESO WCF by splitting the financial year so the effects of under recovery are halved.</li> <li>• Allows the ESO to better align the profiles and cost recovery to its best view at the time of tariff setting.</li> <li>• Approving CMP408 in isolation would erode the benefits of CMP361 and CMP362.</li> </ul> Three respondents not supportive of the Original or WACM1 gave the following reasons:

	<ul style="list-style-type: none"> <li>• Insufficient evidence that a defect exists in the current charging methodology as it has only been in place for a few months.</li> <li>• These modifications, including CMP408, have been raised more for the benefit and ease of the ESO as opposed to industry and the end consumer.</li> <li>• Neither solution have demonstrated any benefit of how improved forecasting will outweigh the additional risk premium included in contracts due to less notice provided.</li> <li>• Less tariff notice mean fewer contracts can take account of the published fixed tariff, this will act to increase risk premium included, negatively impacting competition and higher prices for consumers.</li> </ul>
<b>Legal text issues raised in the consultation</b>	
No legal text issues were raised by the respondents.	
<b>EBR issues raised in the consultation</b>	
No EBR issues were raised by the respondents.	

## Panel Recommendation vote

The Panel met on the 29 September 2023 to carry out their recommendation vote.

The Panel has recommended unanimously that the Proposer's Original solution and by majority that WACM1 do not better facilitate the CUSC Applicable Objectives.

**Vote 1:** Does the Original or WACM1 facilitate the objectives better than the Baseline?

Panel Member: **Andrew Enzor**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall (Y/N)
Original	Neutral	No	Neutral	Neutral	No
WACM1	Neutral	No	Neutral	Neutral	No

Voting Statement:

In isolation, extending the fixed period while maintaining the nine month notice period materially increases the risk of mid-year tariff change, reducing certainty for suppliers and negatively impacting competition as the reduced certainty will impact different types of suppliers in different ways. If implemented alongside CMP408, the reduced notice period would reduce the above risk, while maintaining the combined 15 month fix period as recommended by the BSUoS Task Force. Hence I consider CMP480 and either the Original or WACM1 for CMP415 would better facilitate the

Charging and Non-Charging objectives respectively. WACM1 is favorable to the Original alongside CMP408, as it presents a reduced risk of mid-period tariff change when compared to the Original.

Panel Member: **Andy Pace**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall (Y/N)
Original	Neutral	No	Neutral	Neutral	No
WACM1	Neutral	No	Neutral	Neutral	No

Voting Statement:

A key benefit of moving to an ex ante BSUoS tariff is from the likely reduction in risk premia to end consumers. CMP415 on its own would have two impacts: increase the fixed period to 12 months and lead to an overall combined period that is 21 months instead of the 15 months recommended by the second BSUoS taskforce. In the case of WACM1 the fixed period would contain two seasonal tariffs. This combined period of 21 months under the original solution and WACM1 would likely erode a portion of the benefits of BSUoS reform to end consumers due to the increased likelihood of tariffs having to be reset. This would likely increase the risk premia applied to contracts with end consumers and so it is negative against applicable objective (b) as it will not facilitate competition in the supply of electricity. Our preference is for the baseline compared to CMP 415 on its own. However, we consider CMP415 and CMP408 should be treated by Ofgem with a common decision in order to maintain the overall 15 months period recommended by the second BSUoS Taskforce. Therefore, if Ofgem chooses to implement CMP408 we believe it is necessary to also implement CMP415. Our preference in this instance would be to implement WACM1 which, compared to the original solution, would better mitigate the longer fixed period, minimise the likelihood of tariffs being reset and benefit consumers through lower risk premia. In comparing the combination of CMP408/CMP415 (3 months notice and 12 months fixed) with the baseline of 9 months notice and 6 months fixed (as a result of CMP361/362) we do not believe there is a clear evidence base to indicate which option delivers greater overall benefits to consumers. The updated impact analysis produced for CMP361/362 found a preference for 3 months notice and 12 months fix. However, it did not compare this with the solution which was then implemented (9 months notice and 6 months fix). It is likely to be necessary for further impact assessments to be conducted, factoring in expectations on BSUoS volatility. The range of potential further modifications to fixed BSUoS tariffs indicates a holistic assessment may need to be made to determine the overall package that best delivers benefits to end consumers.

Panel Member: **Binoy Dharsi**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall (Y/N)
Original	Neutral	No	Neutral	Neutral	No
WACM1	Neutral	No	Neutral	Neutral	No

Voting Statement:

In isolation to CMP408 this modification does not better facilitate the Applicable objectives. If CMP408 were to be approved to create a new baseline, then any variant of CMP415 was approved then CUSC Applicable Objective b) would be satisfied. WACM1 would be the preferred option should CMP408 be approved.

Panel Member: **Cem Suleyman**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall (Y/N)
Original	Neutral	No	Neutral	Neutral	No
WACM1	Neutral	No	Neutral	Neutral	No

Voting Statement:

Considered on its own merits, no one is arguing that CMP415 should be implemented in isolation. It has only been raised to complement CMP408 by restoring the 15 month notice/fix period. As such CMP415 does not better facilitate the Applicable CUSC Objectives. Implementing CMP415 in combination with CMP408 is better than only implementing CMP408 as it restores the 15-month notice/fix period. However, no evidence has been presented to demonstrate that this is better than the current Baseline. This is not surprising given the current arrangements have been in place for such a short period of time. However, the analysis on seasonality has some merit so there may be benefit in exploring how this element can be incorporated into the current arrangements. For this reason, WACM1 is preferable to the Original.

Panel Member: **Claire Huxley**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall (Y/N)
Original	No	No	No	No	No
WACM1	Neutral	Yes	Neutral	Neutral	Yes

Voting Statement:

The ESO believes that WACM1 is the best solution, striking a compromise between giving suppliers a longer fixed period for price certainty, whilst still having a risk management method in place for the ESO Working Capital Facility. This voting statement is contingent on CMP408 being approved (i.e. changing the notice period to 3months). The ESO would also like to show support for the Baseline of 6-month fixed period. This offers the lowest level of risk of the ESO Working Capital Facility being fully depleted mid fixed period and therefore reduces the risk of tariff resets within a fixed period. Being able to assess the current market and consider any over-recovery that might have occurred in a previous fixed period, the baseline of a 6-month fixed period, offers the most flexible approach for the ESO to set tariffs to ensure there is a lower risk of a tariff resets. However, on balance and considering the request for an overall period of 15-months for Fixed BSUoS, WACM1 better facilitates suppliers need for a longer fixed period, whilst still offering a better risk management method than the Original Proposal.

Panel Member: **Garth Graham**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall (Y/N)
Original	Neutral	No	Neutral	Neutral	No
WACM1	Neutral	No	Neutral	Neutral	No
Voting Statement: No voting statement provided.					

Panel Member: **Grace March**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall (Y/N)
Original	No	No	Neutral	Neutral	No
WACM1	No	No	Neutral	Neutral	No

## Voting Statement:

Compared to the baseline of 9 month notice and 6 months fixed, both the Original and the WACM would require the ESO to forecast significantly further out, increasing the likelihood of over-recovery (which would not be the best outcome for consumers) or under-recovery, which could put the ESO's working capital at risk and trigger a mid-tariff reset. The formal makes the modification negative against ACO b) and the risk of the later reduces the certainty suppliers have in the published BSUoS rate. The longer notice+fixed resulting from a longer fixed period would benefit some suppliers who offer fixed prices further beyond the 15-month period recommended by the BSUoS Task Force. At the time, it was considered that there is not significant volumes of those tariffs and they are dependent on a large number of variables, of which unpredictable BSUoS is one. Since then, the retail market has become less stable and so any benefit to competition between suppliers who offer fixed price tariffs longer than 15 months is minimal. The risk of under-recovery is more significant and affects all suppliers, so both the Original and WACM are negative against ACO a). The WACM provides the ESO with the ability to shape the BSUoS tariff to better reflect the forecast costs and demands, thus reducing the risk of a tariff reset, whilst still providing suppliers with the reduced risk associated with fixed BSUoS. The WACM should therefore be considered less negative against ACO (b) than the Original. If the notice period were to be reduced to bring the notice+fixed period in line with the baseline and the recommendations of the BSUoS Task Force, such as is proposed by CMP408, the ESO's forecast is likely to be more accurate. It would bring the risk to the ESO's working capital closer to the baseline and reduce the risk of a tariff reset, thus supporting competition between suppliers by keeping BSUoS fixed. In that case, the ESO's working capital is further protected by the WACM, whilst allowing suppliers the commercial freedom to price BSUoS into fixed-price tariffs appropriately (e.g. seasonally specific or smeared, depending on the tariff length/time). Such CMP408 be approved, the WACM would be an improvement to the baseline, based on facilitation of ACO (b). As the risk to the ESO's working capital is slightly increased by a combination of CMP408 and CMP415 WACM, but not significantly enough to outweigh the benefits to competition. A combination of CAMP408 and CMP415 Original would still be an improvement against the baseline, but less than CMP408 and CMP415 WACM.

Panel Member: **Joseph Dunn**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall (Y/N)
Original	Neutral	No	Neutral	Neutral	No
WACM1	Neutral	No	Neutral	Neutral	No

Voting Statement:  
Objective (b): Negative - Both the Original and WACM1 seek to increase the fixed period to 12 months have a negative impact compared to a baseline of a 6-month fixed period with 9 months' notice. While reducing tariff notice may lead to an improvement in accuracy of forecasting, a smaller proportion of contracts will be able to take account of the published fixed tariff leading to and increase in risk premium overall. The potential for forecast accuracy has not been sufficiently demonstrated to outweigh the potential additional risk premium that would result from less notice being provided.

Panel Member: **Paul Jones**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Overall (Y/N)
Original	Neutral	No	Neutral	Neutral	No
WACM1	Neutral	No	Neutral	Neutral	No

Voting Statement:  
This proposal is being treated as a facilitating modification for CMP408, due to the notice period existing in the charging part of the CUSC and the fix period sitting in the non-charging part. I agree with those workgroup members who believe that both should sit in the same part of the CUSC so they can be considered together in proposals to change one or both parameters. Given that this proposal is being considered in conjunction with CMP408, I have the same concerns as expressed in relation to that proposal.  
That is:  
It is not the correct response to pass some of the responsibility for managing additional risk associated with higher recent BSUoS costs to suppliers and customers, given that this is supposed to be the ESO's role, as it is in a better position to do so; and it also doesn't seem to be the case that current BSUoS costs pose a significant risk to the ESO at present due to the healthy surplus of revenue over costs paid out which seems to exist at present and which is forecast to continue through the period of current fixed prices. I recognise and agree that CMP415 would represent an improvement were CMP408 to be implemented, compared with only implementing CMP408 alone. However, CMP408 does not form part of the current baseline against which this modification should be assessed.

**Vote 2 – Which option is the best?**

Panel Member	BEST Option?	Which objectives does this option better facilitate? (If baseline not applicable).
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Andrew Enzor	Baseline	N/A
Andy Pace	Baseline	N/A
Binoy Dharsi	Baseline	N/A
Cem Suleyman	Baseline	N/A
Claire Huxley	WACM1	b
Garth Graham	Baseline	N/A
Grace March	Baseline	N/A
Joseph Dunn	Baseline	N/A
Paul Jones	Baseline	N/A

### Panel conclusion

The Panel recommended unanimously that the Proposer's Original solution and by majority that WACM1 do not better facilitate the CUSC Applicable Objectives.

### When will this change take place?

#### Implementation date

Implementation of [CMP415](#) will be aligned with [CMP408](#) which is 1 April 2024.

#### Date decision required by

End of November 2023.

#### Implementation approach

The modification can only be approved and implemented in conjunction with [CMP408](#).

### Interactions

- |  |  |  |                                |
|--|--|--|--------------------------------|
| <input type="checkbox"/> Grid Code                 | <input type="checkbox"/> BSC                                 | <input type="checkbox"/> STC                               | <input type="checkbox"/> SQSS  |
| <input type="checkbox"/> European<br>Network Codes | <input type="checkbox"/> EBR Article 18<br>T&Cs <sup>1</sup> | <input checked="" type="checkbox"/> Other<br>modifications | <input type="checkbox"/> Other |

This modification is a consequence of the modification [CMP408](#). The Workgroup do not believe there are any EBR implication.

### Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
BSUoS	Balancing Services Use of System charges
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Regulation
ESO	Electricity System Operator

<sup>1</sup> If the modification has an impact on Article 18 T&Cs, it will need to follow the process set out in Article 18 of the Electricity Balancing Regulation (EBR – EU Regulation 2017/2195) – the main aspect of this is that the modification will need to be consulted on for 1 month in the Code Administrator Consultation phase. N.B. This will also satisfy the requirements of the NCER process.

T&Cs	Terms and Conditions
WCF	Working Capital Facility
WACM	Workgroup Alternative Code Modification

### Reference material

- [CMP408: Allowing consideration of a different notice period for BSUoS tariff settings](#)

### Annexes

Annex	Information
Annex 1	Proposal form
Annex 2	Terms of reference
Annex 3	Legal Text
Annex 4	Alternative Form
Annex 5	WACM1 Seasonality Analysis
Annex 6	Alternative and Workgroup vote
Annex 7	Indicative vote were CMP408 in place
Annex 8	Workgroup attendance log
Annex 9	Code Administrator Consultation Responses