

# BSUoS Fixed Tariff

## Final Tariff 5 - Apr 2025 – Sep 2025

## Draft Tariff 6 - Oct 2025 – Mar 2026

Published 28<sup>th</sup> June 2024

### Introduction

From 1<sup>st</sup> April 2023 BSUoS costs have been recovered under a new fixed tariff methodology as defined by CMP361. The CMP361 decision determined that the tariff should be fixed for 6 months with 9 months' notice of the tariff values being provided by the ESO. This report defines the final BSUoS tariff for the April 2025 to September 2025 period as well as providing a draft view of the October 2025 to March 2026 tariff period. **We are calling these BSUoS Fixed Tariffs 5 and 6 respectively.**

### Background

The costs of balancing the system change and are difficult to predict. This makes the BSUoS charge also difficult to predict.

CMP361 introduced an ex-ante fixed volumetric BSUoS tariff set over a total fixed and notice period of 15 months which was designed to deliver the recommendations of the Second BSUoS Task Force. The decision on implementing CMP361 was made by Ofgem on the 15<sup>th</sup> December 2022.

The decision was made to implement WACM3 (Workgroup Alternative CUSC Modification) from the 1<sup>st</sup> April 2023. WACM3 fixed BSUoS for 6 months with 9 months' notice and defined that there would be no BSUoS fund to support the tariff.

Final BSUoS tariffs for April 2023 to September 2023 (Fixed Tariff 1) and October 2023 to March 2024 (Fixed Tariff 2) were published at the end of January 2023.

Final BSUoS tariff for April 2024 to September 2024 (Fixed Tariff 3) was published at the end of June 2023.

Final BSUoS tariff for October 2024 to March 2025 (Fixed Tariff 4) was published in December 2023.

### Webinar – 11<sup>th</sup> July

We will be running a webinar on 11<sup>th</sup> July 2024 to discuss this final and draft tariff and answer any questions that you may have about it.

Click the button below to register for the webinar.

[Register for the BSUoS Tariff Webinar Here](#)

### 1. BSUoS Fixed Tariffs Overview/Calculation

The forecasting model we have developed is used to determine balancing costs for the fixed tariff period ahead. The central forecast number determines the cost that goes into the tariff.

Before a tariff can be calculated, there are other non-balancing costs that need to be included. These are provided as a single central forecast only. The additional costs can be subject to change but sit outside of the capabilities of the current model, external influences affect them rather than parameters within the model.

The forecast for these additional costs is added to the central forecast for the balancing costs to calculate the total BSUoS Costs. These total BSUoS Costs are then divided by the BSUoS volumes to get to the final BSUoS tariff estimation for the fixed period.

Under WACM3 the process described above is carried out for each 6-month period that a tariff is fixed over.

Financial Year 2025/26 - Tariff 5 - Final		
	Description	Final Tariff
Fixed Tariff 5 Apr-Sep	Balancing Costs (Central) £m	1,225.5
	Internal Costs £m	271.9
	Cumulative forecast over-recovery by end of FT 3, less any adjustment already made in FT 4 £m	-215.0
	CMP398 Claims £m	4.3
	Total BSUoS £m	1,286.6
	Estimated BSUoS Volume TWh	119.8
	BSUoS Tariff £/MWh	<b>£10.74</b>

Financial Year 2025/26 - Tariff 6- Draft		
	Description	Draft Tariff
Fixed Tariff 6 Oct-Mar	Balancing Costs (Central) £m	1,320.1
	Internal Costs £m	270.4
	Cumulative forecast over-recovery by end of FT 4, less any adjustment already made in FT5 £m	-85.6
	CMP398 Claim Forecast £m	4.3
	Interest Repayment £m	-52.0
	NESO Framework Internal Cost Estimate £m	236.4
	Winter Security of Supply £m	0.0
	Total BSUoS £m	1,693.5
	Estimated BSUoS Volume TWh	141.2
	BSUoS Tariff £/MWh	<b>£11.99</b>

## 2. Balancing Costs

The biggest portion of the costs to be recovered through the BSUoS charge are the costs to balance the system. These costs have increased over the last few years, with several factors contributing including the increased contribution of renewable generation, the changing nature of the generation mix, and more recently the increase in wholesale electricity prices driven to a large extent by Russia's invasion of the Ukraine.

As well as being the largest portion of the BSUoS cost and therefore biggest component of the tariff, the balancing costs are also the hardest to forecast.

The balancing cost forecast was produced based on an average of the forward price curves derived between 31<sup>st</sup> of May to the 6<sup>th</sup> of June 2024.

Since Draft Tariff 5 was published, our balancing cost forecast has decreased slightly. There has been an average 8% decrease in our forecast wholesale electricity price (£/MWh), however forecast constraints costs have increased for Fixed Tariff 5. There is also a reduction in forecast positive reserve costs. This is reflected in the updated Final Tariff, with balancing costs of £1,225.5.

Draft Fixed Tariff 6 is forecasted to have Balancing Costs of £1,320.1m. Final Fixed Tariff 6 will be updated using forecasted data available in December 2024.

For further information on the methodology used in our model please refer to the BSUoS fixed tariff model consultation document links in Appendix A of this document.

## 3. Internal Costs

Internal costs (allowed revenue) are calculated in the Price Control Financial Model (PCFM) process as determined by the current RIIO-2 price control period.

### Fixed Tariff 5

The costs for the 2025/26 charging year are currently based on the December 2023 PCFM.

For further information on the PCFM process please visit the Ofgem PCFM ESO webpage [HERE](#)

For further information on our BP2 submission please visit our webpage [HERE](#) or check out the [Final BP2 Delivery Plan 2023-2025](#) or for the overview the [BP2 Executive Summary](#)

## Draft Tariff 6

Costs for 2025/26 are currently based on the December 2023 PCFM. Final Fixed Tariff 6 will true up the difference between the Internal Costs included in Fixed Tariff 5, and our latest view of the internal costs for 2025/26 at the point of tariff setting. Dependent on timing, Final Fixed Tariff 6 may include the impact of the new NESO Framework. In April 2022, Ofgem and the Department for Energy Security and Net Zero (DESNZ) jointly decided to proceed with the creation of a new, independent Future System Operator (FSO). All the details of the implementation of the FSO and the funding of it have yet to be agreed, however a high-level estimate of these costs has been included as a separate item in the tariff. For further details, please see 6.Adjustment for NESO Framework

## 4. Forecast Over/Under Recovery Adjustment

From 1<sup>st</sup> April 2023, the daily costs incurred to operate the transmission system are now detached from what is recovered against the fixed tariff. This results in potential for both over and under recovery of revenue versus costs. Per CMP361, any under/over recovery feeds into future fixed tariffs.

The cumulative forecast over-recovery to the end of Fixed Tariff 3, minus repayment already included in Fixed Tariff 4 has been included as repayment in Fixed Tariff 5. Forecast over-recovery from Fixed Tariff 4 is included within Draft Tariff 6. Forecast cash position used within tariff setting is as of 17<sup>th</sup> June 2024.

### Fixed Tariff 5

We are currently forecasting to be £397m over-recovered by the end of Fixed Tariff 3. £182m has already been included as a repayment within Fixed Tariff 4, with the remaining £215m to be repaid during Fixed Tariff 5.

This forecast over-recovery by the end of Fixed Tariff 3 is £288m higher than our January 2024 forecast which was used in Fixed Tariff 4 and Draft Tariff 5 setting.

Fixed Tariff 2 over-recovery outturned £168m above our January 2024 forecast. There was an average 30% reduction in wholesale market prices compared to our January forecast, and constraint costs for January to March 2023 were £90m below forecast.

Fixed Tariff 3 is forecast to over-recover by £120m above our January 2024 forecast. April and May 2024 outturn costs were around £90m below forecast, with slight decrease in our forward balancing cost forecast as mentioned above.

For further detail on our over-recovery position please visit our website [Fixed Tariff Revenue vs Costs Report](#)

### Draft Tariff 6

Over-recovery repayment of £85.6m currently included in Draft Tariff 6 reflects the cumulative forecast over-recovery position for Fixed Tariff 4 (£300.7m), minus the £215.0m included within Fixed Tariff 4 as of 17<sup>th</sup> December 2024. Final over/under-recovery adjustment for Fixed Tariff 6 will be based on the latest available outturn data and monthly BSUoS forecast as of Final Fixed Tariff 6 setting (December 2024).

## 5. CMP398/412 - GC0156 Cost Recovery mechanism for CUSC Parties

This modification was required to implement Grid Code Mod 0156 by providing a cost recovery mechanism for CUSC parties who do not hold contracts with the ESO to provide Restoration Services. The first claims submission window is September 2024, which would result in monthly repayments from April 2025.

We are currently forecasting 10% of total claims to be submitted in the September 2024 claims window, based on sampling responses from an original survey sent to CUSC parties by BEIS (now DESNZ). This has been split evenly between Fixed Tariff 5 and Draft Tariff 6.

For further details on the background and status of CMP398 please visit the webpage [HERE](#)

## 6. Adjustment for NESO Framework

There is uncertainty for Fixed Tariff 6 as the new regulatory framework that will apply to NESO is expected to be used in generating the figure that will go into the setting of Fixed Tariff 6. Based on current expectations we have created a rough figure that is used in the publication of this Draft Tariff, but we continue to discuss the enduring framework with Ofgem and at this stage the figure should only be used as a high-level estimate. Please also note that as Fixed Tariff 3, Fixed Tariff 4 and Fixed Tariff 5 are now published, Fixed Tariff 6 is the earliest tariff where we can include the impact of the new regulatory framework.

## 7. Interest Repayment

We have included a £52m reduction in Draft Tariff 6 in respect of interest due on the over-recovery for Fixed Tariff 1 and Fixed Tariff 2 (£854m). There is the potential to include a legacy term within the NESO license, which would enable interest on over-recovery within the 2023/24 charging year to be repaid. The earliest this could be included is Draft Tariff 6, however this is dependent on the timing of the publication of the NESO license.

## 8. Winter Security of Supply

For winter 2022/23 and 2023/24 the ESO has received requests from the Secretary of State to undertake enhanced actions to ensure ongoing security of supply across the winter period. In Draft Tariff 6, a winter security of supply cost has not been included for winter 2025/26. This figure will be reviewed in December 2024.

## 9. BSUoS Chargeable Volume

From April 2023, the code reform CMP308 has come into effect which moved the charging of BSUoS from generation and demand to “Final Demand” only. Final Demand is currently defined as electricity consumed other than for the purposes of generation or export onto the electricity network. The BSUoS chargeable volume has been estimated using a simple linear regression using the ESO national demand forecast as the explanatory variable. In the latest forecast we have updated the data used to estimate the linear regression. The relationship is estimated using only BSUoS chargeable volume and national demand from after April 2023.

## 10. CMP408 - Allowing consideration of a different notice period for BSUoS tariff setting.

This modification looks to change the BSUoS notice period from its current 9 months to 3 months.

Should this modification be approved, the proposer’s preferred option would be to reset any tariffs that fall within the current 9 months’ notice period and the revised 3 month notice period that this modification would enforce.

For further details on the background and status of CMP408 please visit the webpage [HERE](#)

## 11.CMP415 - Allowing consideration of a different tariff period for BSUoS tariff setting.

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.

Should CMP408 and CMP415 be approved, there is a potential that any tariffs that fall within the 9 months' notice period and the revised 3 month notice period would be reset.

For further details on the background and status of CMP415 please visit the webpage [HERE](#)

## 12.BSUoS Reporting

We have committed to providing industry with visibility of upcoming costs and the potential for tariffs to be reset. To fulfil this, we have provided the following reporting:

1. Daily BSUoS costs as part of our web pricing.
2. Weekly report on the current recovery values against fixed tariff forecasts based on:
  - Actual BSUoS outturn costs (using the latest control room data, II and SF costs)
  - Actual BSUoS outturn volumes (using the latest of II and SF volumes)
  - Updated projections of cost and volume, based on latest monthly forecast
3. Monthly publications of balancing service forecast cost over a 2-year time horizon (as today)

In the event of tariff reset during a fixed period looking likely, we would provide notice to industry as soon as practicably possible via our usual communication channels.

## 13.Next Steps

On the 11<sup>th</sup> July we will be running a webinar to discuss this BSUoS Tariff document, you can register for the webinar [HERE](#)

Please subscribe to our mailing list to receive further updates about the BSUoS fixed tariff implementation and anything else BSUoS related if you are not already a subscriber. [Click here to Join Our Mailing List](#)

If you have any immediate questions about this publication or anything else BSUoS fixed tariff related, please contact us at [BSUoS.queries@nationalgrideso.com](mailto:BSUoS.queries@nationalgrideso.com)

## Appendix A – Document Links

	Description	Link/Source
Model Consultation Info.	BSUoS Fixed Tariff Model Consultation - June 2022	<a href="https://www.nationalgrideso.com/document/262041/download">https://www.nationalgrideso.com/document/262041/download</a>
	BSUoS Fixed Tariff Model Consultation - Webinar Slides June 2022	<a href="https://www.nationalgrideso.com/document/262326/download">https://www.nationalgrideso.com/document/262326/download</a>
	BSUoS Fixed Tariff Model Consultation - Webinar Q and A June 2022	<a href="https://www.nationalgrideso.com/document/262531/download">https://www.nationalgrideso.com/document/262531/download</a>
	BSUoS Fixed Tariff Model Consultation - Webinar Recording	<a href="https://players.brightcove.net/867903724001/default_default/index.html?videoId=6308766047112">https://players.brightcove.net/867903724001/default_default/index.html?videoId=6308766047112</a>
	BSUoS Fixed Tariff Model Consultation 2 - Webinar Slides August 2022	<a href="https://www.nationalgrideso.com/document/265571/download">https://www.nationalgrideso.com/document/265571/download</a>
Model	Plexos constraint forecast	<a href="https://data.nationalgrideso.com/constraint-management/24-months-ahead-constraint-cost-forecast">https://data.nationalgrideso.com/constraint-management/24-months-ahead-constraint-cost-forecast</a>

	Description	Link/Source
	Historic daily balancing costs	<a href="https://www.nationalgrideso.com/data-portal/daily-balancing-costs-balancing-services-use-system">https://www.nationalgrideso.com/data-portal/daily-balancing-costs-balancing-services-use-system</a>
	Future energy scenarios	<a href="https://www.nationalgrideso.com/future-energy/future-energy-scenarios">https://www.nationalgrideso.com/future-energy/future-energy-scenarios</a>
	Weather data	<a href="https://gmao.gsfc.nasa.gov/reanalysis/MERRA-2/">https://gmao.gsfc.nasa.gov/reanalysis/MERRA-2/</a>
CMP361 and 362 Info.	CMP361 and CMP362 Final Modification Report (8th March 2022)	<a href="https://www.nationalgrideso.com/document/246486/download">https://www.nationalgrideso.com/document/246486/download</a>
	Ofgem’s minded-to decision (21st September 2022)	<a href="https://www.ofgem.gov.uk/sites/default/files/2022-09/CMP361_Minded-to_final_PDF_-_Publication.pdf">https://www.ofgem.gov.uk/sites/default/files/2022-09/CMP361 Minded-to final PDF - Publication.pdf</a>
	Ofgem’s final decision (15th December 2022)	<a href="https://www.ofgem.gov.uk/publications/cmp361-and-cmp362-decision">https://www.ofgem.gov.uk/publications/cmp361-and-cmp362-decision</a>
	CMP61 and CMP362 Modification Web Page	<a href="https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp361-cmp362">https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp361-cmp362</a>
Cost Info.	Ofgem PCFM ESO webpage	<a href="https://www.ofgem.gov.uk/publications/eso-price-control-financial-model">https://www.ofgem.gov.uk/publications/eso-price-control-financial-model</a>
	ESO BP2 Webpage	<a href="https://www.nationalgrideso.com/our-strategy/riio">https://www.nationalgrideso.com/our-strategy/riio</a>
	Final BP2 Delivery Plan 2023-2025	<a href="https://www.nationalgrideso.com/document/266156/download">https://www.nationalgrideso.com/document/266156/download</a>
	BP2 Executive Summary	<a href="https://www.nationalgrideso.com/document/266151/download">https://www.nationalgrideso.com/document/266151/download</a>
General	ESO Main BSUoS Webpage	<a href="https://www.nationalgrideso.com/industry-information/charging/balancing-services-use-system-bsuos-charges">https://www.nationalgrideso.com/industry-information/charging/balancing-services-use-system-bsuos-charges</a>
	ESO BSUoS Queries Email	<a href="mailto:BSUoS.queries@nationalgrideso.com">BSUoS.queries@nationalgrideso.com</a>
	Join the ESO BSUoS Mailing List	<a href="https://subscribers.nationalgrid.co.uk/h/d/BB2F9EBE89031B0C">https://subscribers.nationalgrid.co.uk/h/d/BB2F9EBE89031B0C</a>
FSO Consultation	OFGEM FSO Page	<a href="https://www.ofgem.gov.uk/publications/funding-transition-future-system-operator">https://www.ofgem.gov.uk/publications/funding-transition-future-system-operator</a>

## Appendix B – Summary of CUSC Modification Proposals Affecting BSUoS Tariffs

Name	Title	Status	Effect of proposed change
<a href="#">CMP396</a>	Re-introduction Of BSUoS on Interconnector Lead Parties	Final Modification Report submitted to Ofgem for decision. Awaiting Authority Decision.	Seeks to re-introduce BSUoS on Interconnector Lead Parties to reflect BSUoS is an energy management cost and not a transmission access charge.
<a href="#">CMP398</a>	GC0156 Cost Recovery mechanism for CUSC Parties see also consequential CMP412	Implemented. The Authority approved WACM1 on 29 February 2024 and this was implemented on 14 March 2024.	This modification was required to implement Grid Code Mod 0156 by providing a cost recovery mechanism for CUSC parties who do not hold contracts with the ESO to provide Restoration Services. The first claims submission window is September 2024, which would result in monthly repayments from April 2025.
<a href="#">CMP408</a>	Allowing consideration of a different notice period for BSUoS tariff settings	Pending Authority Decision.	This modification looks to change the BSUoS notice period from its current 9 months to 3 months. Should this modification be approved, the proposer's preferred option would be to reset any tariffs that fall within the current 9 months' notice period and the revised 3 month notice period that this modification would enforce.
<a href="#">CMP412</a>	CMP398 Consequential Charging Modification	Implemented. The Authority approved the Original solution on 29 February 2024 and this was implemented on 14 March 2024.	Seeks to facilitate the implementation of CMP398 and proposes a small change to Section 14 (BSUoS) to ensure that any validated costs arising via the CMP398 solution are recovered (as happens today with black start costs via BSUoS).
<a href="#">CMP415</a>	Amending the Fixed Price Period from 6 to 12 months	Pending Authority Decision.	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.
<a href="#">CMP420</a>	Treatment of BSUoS Revenue Recovery and creation of a BSUoS Fund	Withdrawn by the proposer.	This modification looked to codify over and under recovery in terms of when this will be returned to or recovered from Industry including any inflation applied to the over or under recovery amounts.

# ESO

## Document Revision History

Version Number	Date of Issue	Notes
1.0	28/06/2024	Publication of Fixed Tariff 5 (Apr 25 – Sep 25) and Draft Tariff 6 (Oct 25 – Mar 26)