



## BSUoS Regulations Update

### What are Balancing Services Use of System (BSUoS) Charges?

BSUoS charges are the means by which National Grid recovers costs associated with balancing the electricity transmission system (the network of powerlines and transformers which transport electricity from the power generators to the consumer). This ensures enough electricity is in the right place in the system at the right time. Currently, the BSUoS charges are paid by both Final Demand customers (consumers excluding generators) and generators.

### What's changed

On 25<sup>th</sup> April 2022 Ofgem made the decision, following a Significant Code Review by two Industry Task Forces, to implement modification CMP308 - the removal of BSUoS charges from the generation of electricity. The implementation of CMP308 means that from 1<sup>st</sup> April 2023, BSUoS charges will be applied to Final Demand customers only, and will no longer apply to generation.

This recommendation was made to reduce the distortions in charges between large generators which are liable for BSUoS charges, and other forms of generation which are not. Recovering BSUoS through generation is inefficient because the costs, including risk premium and transaction costs, are passed through into wholesale electricity costs and are ultimately paid by the customer.

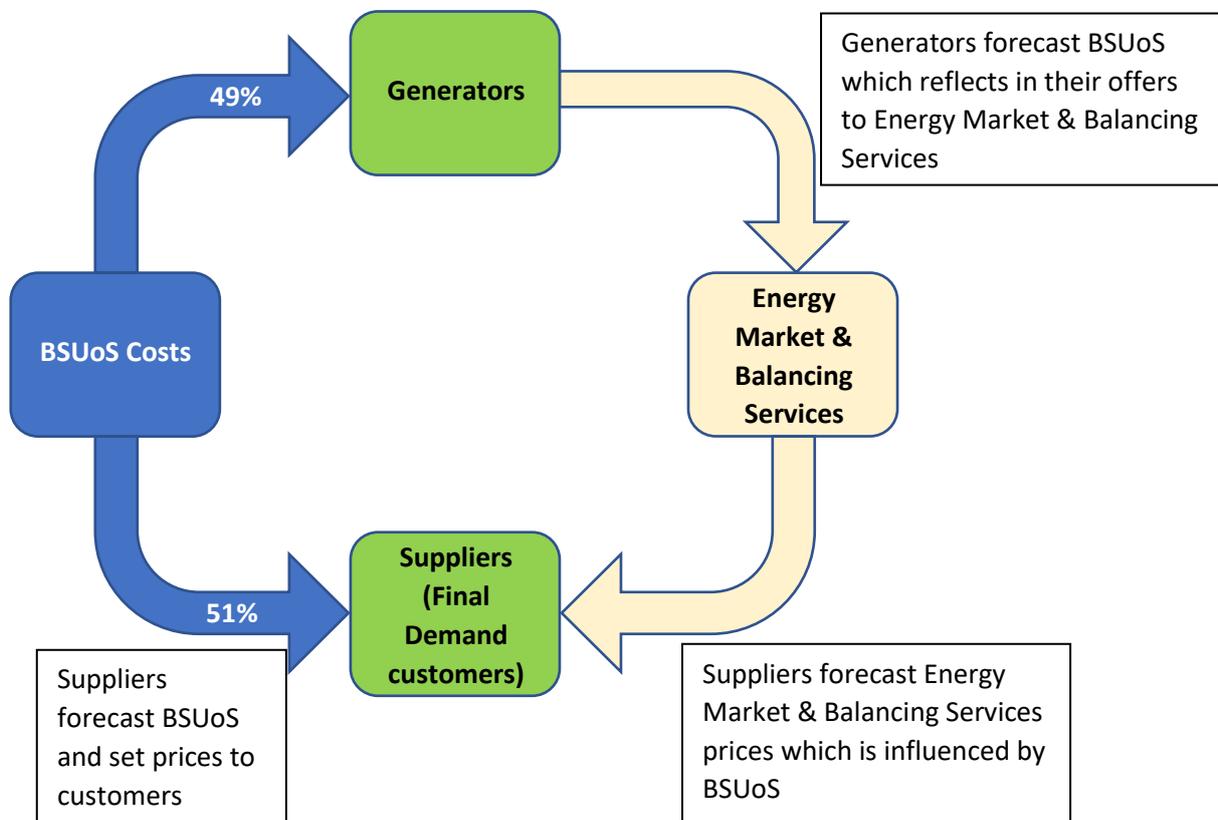


Figure 1: As-is, current method for charging BSUoS

## The impact on customers

While BSUoS charges will increase for demand customers as a result of CMP308 (set to double), analysis commissioned by Ofgem concludes that overall customer costs are likely to decrease. The decrease is due to a reduction in the wholesale prices as generators no longer account for BSUoS.

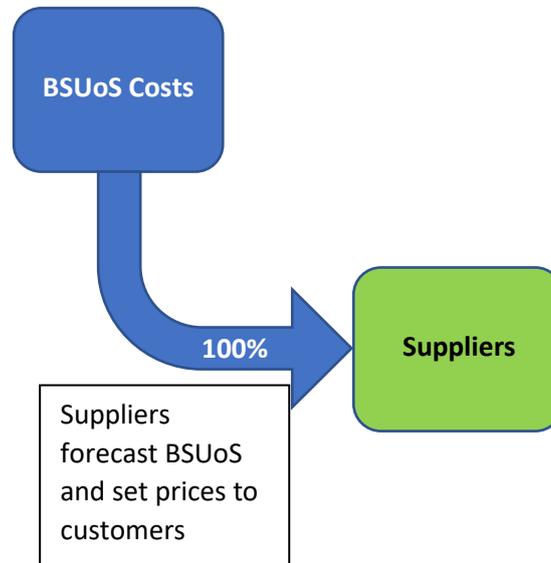


Figure 2: To-be, method for BSUoS charging under CMP308

Generation customers will see no BSUoS charges applied from 1<sup>st</sup> April 2023.

## Potential further changes to BSUoS

A further recommendation of the Task Forces was that BSUoS should be charged at a fixed rate for a given period, with the rates being set in advance. No decision has been reached on CMP361 and CMP362 which propose the introduction of this change, although the modifications are expected to be implemented in 2023.

## Winter 2022 BSUoS Prices

BSUoS costs are expected to be high this coming winter due to the continued high market prices. There are proposals being discussed to cap BSUoS rates for the winter, deferring some of the BSUoS costs to 2023/2024. No decision has been made about the size of the cap or how the costs will be collected in 2023/2024.