

Modification proposal:	Balancing and Settlement Code (BSC) P420: Retail Code Consolidation Significant Code Review (P420)		
Decision:	The Authority ¹ directs that this modification be made ²		
Target audience:	National Grid Electricity System Operator (NGESO), Parties to the BSC, the BSC Panel and other interested parties		
Date of publication:	23 July 2021	Implementation date:	Retail Code Consolidation ³

Background

The energy code landscape is complex and fragmented, making it difficult for market participants to understand and navigate code change processes. Code consolidation will help simplify and make it easier for them to understand their responsibilities and comply with their obligations. The creation of the Retail Energy Code (REC) as a dual fuel retail code will support the introduction of faster and more reliable switching through a centralised switching service. It will also help with efficient management and delivery of code change, supporting innovation, lowering costs and achieving better outcomes for consumers.

In November 2019, we launched the Retail Code Consolidation Significant Code Review (RCC SCR).⁴ Our RCC SCR has the objective of rationalising retail energy codes by closing down the electricity Master Registration Agreement (MRA) and gas Supply Point Administration Agreement (SPAA) and consolidating their requirements into the REC or another appropriate industry code. The REC will also bring together a number of other codes and codes of practice for metering and Green Deal provisions, facilitated by the making of consequential changes to other codes. The RCC SCR also looks to better facilitate cross-code change through the introduction of a Cross Code Steering Group under the REC.

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ Retail Code Consolidation is the date to be designated by the Authority. The date of Retail Code Consolidation is currently expected to be, and will not be earlier than, 1 September 2021.

⁴ The [RCC SCR launch statement](#) is on the Ofgem website.

The REC is being developed in phases. Since the designation of Version 1.0 of the REC in February 2019 and our launch statement in November 2019, the REC has been revised to make changes needed to facilitate energy theft consolidation.⁵ Version 2.0 of the REC (REC v2.0) will take a significant step forward in code consolidation and will be implemented through the Ofgem Switching Programme governance, in accordance with Version 1.1 of the REC. We intend for REC v2.0 to take effect on the date of Retail Code Consolidation (RCC). RCC is the date to be designated by the Authority. The date of RCC is currently expected to be, and will not be earlier than, 1 September 2021.⁶

The modification proposal

On 10 May 2021, BSC modification proposal P420 (the proposal) was raised by Ofgem as an Authority Led SCR Modification Proposal under paragraph F5.3A.1 of the BSC. The proposal set out the timetable for the BSC Panel to progress it.⁷

The proposal aims to make the changes that are necessary to a number of sections of the BSC and to BSC Subsidiary Documents, as part of the RCC SCR, that would do the following:

- ensure the BSC reflects the close down of the Master Registration Agreement (MRA)
- transfer operational procedures relating to Metering Point Lifecycle from the MRA to the BSC
- make necessary changes to transfer Supplier Volume Allocation (SVA) Metering arrangements from the BSC to the REC, thereby consolidating metering arrangements, and facilitate a transition period for metering assurance, and
- insert the required drafting into the BSC that gives effect to the Cross Code Steering Group which will be established under the REC to better facilitate cross-code change across the BSC, the REC, the Distribution Connection and Use of System Agreement (DCUSA), the Smart Energy Code (SEC), the Uniform Network Code (UNC) and the Independent Gas Transporter Uniform Network Code (IGT UNC).

⁵ More information about [energy theft consolidation](#) is on the Ofgem website.

⁶ More detailed information about the underlying policy behind Retail Code Consolidation and our decisions on taking it forward are in our [Decision on REC v2.0](#) (30 April 2021). We have also published an [open letter regarding the SCR modifications for Retail Code Consolidation](#) (30 April 2021) setting out our approach to taking these changes forward.

⁷ Further details about [P420 and the letter to the BSC Panel chair](#) can be found on Elexon's website.

The proposal sets out the concept of a Lead Code and Consequential Changes for code changes affecting more than one of the above energy codes, allowing the panel for a Lead Code to refer decisions on a package of cross-code changes to the Authority in certain circumstances. It is intended to ensure the BSC is aligned with the wider codes landscape when RCC takes place and improve cross-code change processes and alignment of timelines across the wider energy market.

The proposed P420 legal text includes changes to various BSC sections identified as impacting the Electricity Balancing Guidelines (EBGL) Article 18 balancing terms and conditions set out within the BSC. These changes were therefore subject to a mandatory one month industry consultation pursuant to the EBGL change process. Eighty-one comments from six respondents were received in the consultation, and, where appropriate, the red-lined legal text was updated prior to the Panel's final discussions and recommendation. The red-lined legal text was also updated to include housekeeping changes from Elexon's housekeeping log and further quality reviews, which were identified after the initial proposal was raised.

The implementation costs of P420 are limited to the cost of updating BSC documents for legal text changes and the cost of Elexon providing additional ongoing support to transition assurance activities between the BSC and the REC.

The Authority, as proposer, considered that the proposal better facilitates Applicable BSC Objective (d) and is neutral against all the other objectives.⁸ The positive impact of the proposal arises from the removal of references to obsolete code documents and arrangements (ie the MRA), direct assurance of metering activity rather than doing this through suppliers, and the making of improvements to cross-code change processes so there is efficient operation of the energy market, including the balancing and settlement arrangements.

BSC Panel⁹ recommendation

At the BSC Panel meeting on 8 July 2021, the Panel unanimously agreed that P420 (as amended following the consultation) would better facilitate the BSC objectives and the Panel

⁸ Applicable BSC Objective (d) is "promoting efficiency in the implementation and administration of the balancing and settlement arrangements".

⁹ The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC and [Standard Special Licence Condition C3 of the Electricity Transmission Licence](#).

therefore recommended its approval. In particular, the Panel considered that P420 better facilitated Applicable BSC Objective (d) for the same reasons as the Authority had outlined in its proposal and that, although P420 impacts EBGL Article 18 terms and conditions, the impact is neutral against the EBGL objectives.

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 12 July 2021. We have considered and taken into account the responses to the industry consultation which are attached to the FMR¹⁰, as well as the wider aims of the RCC SCR. We have concluded that:

- implementation of the modification proposal (as amended following the consultation) will better facilitate the achievement of the applicable objectives of the BSC;¹¹ and
- directing that the modification (as amended following the consultation) be made is consistent with our principal objective and statutory duties.¹²

Reasons for our decision

For the reasons given below, we consider this modification proposal will better facilitate Applicable BSC Objective (d) and has a neutral impact on the other applicable objectives.

(d) promoting efficiency in the implementation and administration of the balancing and settlement arrangements

We consider that it would be inefficient and incorrect for the BSC to retain references to obsolete documents, ie the MRA. We consider that removing redundant MRA references, providing for direct assurance of metering activity, and inserting new text about processes that ensure improved cross-code change arrangements into the BSC will promote efficiency in the implementation and administration of the balancing and settlement arrangements. We consider this objective to be better facilitated by this proposal.

¹⁰ BSC modification proposals, modification reports and representations can be viewed on the [Elexon website](#).

¹¹ As set out in [Standard Condition C3\(3\) of the Electricity Transmission Licence](#).

¹² The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

We consider that the changes to the EBGL Article 18 terms and conditions are not material amendments and that P420 is moving the obligations in line with the other changes to the BSC, namely, by amending MRA references to refer to the REC and moving metering activities from the BSC to the REC in line with the intent of the proposal.

Updated legal text

The legal text for P420 was updated following the consultation period and prior to the Panel's final discussions and recommendation. These amendments were made in response to the comments received in the consultation and to make minor housekeeping changes that were identified in Elexon's quality reviews of the legal drafting. The impact of these changes was to improve clarity, for example replacing references to the Data Transfer Catalogue (DTC) with reference to the new Energy Market Data Specification (EMDS) in the REC; to future proof the drafting, for example by removing reference to specific REC schedules; and to update references to the MRA or other documents which will be obsolete at RCC which had been overlooked in the original legal red-lining.

We consider that the changes made to the red-lining in response to the consultation are consistent with the intent of P420 and further supports the better facilitation of Applicable BSC Objective (d).

Directions and implementation

Pursuant to and in accordance with Standard Condition C3 of the Electricity Transmission Licence and paragraph F5.3A of the BSC, the Authority hereby: (1) approves and accepts modification proposal BSC P420 'Retail Code Consolidation Significant Code Review' (Modification BSC P420), and (2) directs that Modification BSC P420 be made.

Pursuant to Standard Condition C3(4F)(d) of the Electricity Transmission Licence and paragraphs F5.3A.1 and F5.3A.5 of the BSC, the Authority hereby directs NGESO and the BSC Panel to implement Modification BSC P420 so that it takes effect on Retail Code Consolidation. Retail Code Consolidation is the date to be designated by the Authority. The date of Retail Code Consolidation is currently expected to be 1 September 2021.

We expect this to be the last decision in respect of the BSC under the RCC SCR, and the final Authority-led modification proposal under the RCC SCR as a whole. We expect to confirm formal completion and closure of the RCC SCR once we designate RCC. If circumstances change in the interim, which necessitate further Authority-led modification proposals in respect of any of the codes within scope of the RCC SCR, we will consult further.

Rachel Clark

Deputy Director, Switching Programme

Signed on behalf of the Authority and authorised for that purpose