

ELEXON

13 September 2022

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Stephen Perry & Colin Down
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10 South Colonnade
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RE: Request to treat BSC Modification [P446 'Energy Price Guarantee Scheme for domestic customers'](#) as an Urgent Modification Proposal'

Dear Stephen & Colin,

The BSC Panel, at an Urgent Panel Meeting on 13 September 2022, agreed unanimously to recommend to Ofgem that P446 should be treated as an Urgent Modification Proposal. The Proposal Form details the Modification Proposal, including the case for urgency. We detail the proposed urgent procedure and timetable below. We also summarise the key requests and rationale in this letter.

Modification Background

P446 was raised by National Grid ESO on 13 September 2022. The Proposer requested that the Modification Proposal be treated as urgent.

European energy prices have increased dramatically, following the ending of lockdown and the gas crisis initiated by Russia's invasion of Ukraine. On 26 August 2022 Ofgem announced that the energy price cap will increase to £3,549 per year for a typical household gas and electricity bill in Britain from October. Further rises are expected in the future and, as we approach winter, there are concerns over the wellbeing of those who may not be able to afford energy costs.

The increase in wholesale energy costs could also have wider economic impacts. There has already been an impact on inflation, and the cost of living crisis is expected to cause

a recession, as predicted by the Bank of England. It is also possible that the increased energy costs could cause further Supplier failures. Previously, rising wholesale gas costs caused several Suppliers to fail, as the price cap meant they were unable to pass the increasing costs on to customers. With increasing numbers of customers unable to make payments or who may begin to refuse to pay their bills, there are concerns that additional Supplier failures may be triggered.

As a result of these concerns the Government has proposed the Energy Price Guarantee (EPG) Scheme for domestic customers, to secure reductions in the electricity bills of domestic consumers in Great Britain. The intention is for Elexon to act as the EPG Scheme Administrator.

The activities that Elexon are permitted to undertake are outlined in BSC Section C 'BSCCo and its Subsidiaries'. Currently, the activities stipulated in BSC Section C do not include provisions for administering such a scheme.

The proposed solution is to make changes to BSC Section C to extend the vires for Elexon. The amendment would have to allow Elexon to undertake a new non-Settlement related function, administering the payment scheme. The proposed BSC Modification describes and limits Elexon's role and functions as Scheme Administrator by reference to the more detailed Scheme Document, established by the Secretary of State.

Justification for Urgency

The Proposer's case for urgency is set out in the Modification Proposal Form, and is summarised below.

In seeking urgency, the Proposer is mindful of [Ofgem's Urgency Criteria](#) and believes that this Modification Proposal is linked to an imminent or current issue that if not urgently addressed may cause a significant commercial impact on Parties, Consumers or stakeholders.

This Modification is seeking to facilitate the Energy Price Guarantee Scheme that will support consumers and Suppliers during the wholesale energy price increase and associated cost of living crisis. The predicted future energy costs mean that many consumers may be unable to afford their energy bills, which could result in widespread hardships and have a significant negative impact on the health and wellbeing of the public, as well as on the economy as a whole. Additionally, failure of consumers to pay bills, or Suppliers being forced to charge below market rate for energy, could result in Supplier failure and significantly disrupt the market. The scheme would also guarantee that Suppliers have money to enable them to make payments to Generators, ensuring the continued efficient operation of the energy market.

The impending price cap increase on 1 October 2022 is likely to exacerbate these impacts, with estimates that the proposed price cap level of £3,549 in October 2022 will see 9.1m consumers in fuel poverty. For this reason the Proposer believes that this Modification should be given urgent status by Ofgem.

Proposed Urgent Progression Timetable and Procedure

The Panel recommend the following timetable and procedure, and would like to kindly request an Ofgem decision on urgency as soon as possible, ideally by 9am on 14 September 2022. The Panel notes that any time taken to determine whether P446 should be urgent past this time will have the effect of shortening the industry consultation period.

Proposed Urgent Progression Timetable and Procedure	
Event	Date
Modification presented to Panel	13 September 2022
Modification submitted to Authority for decision on urgency	13 September 2022
Urgent Modification Consultation (5WD)	14 September 2022 – 21 September 2022
Draft Urgent Modification Report presented to Panel	22 September 2022
Final Modification Report submitted to Authority	22 September 2022
Proposed Implementation Date	1WD after Authority approval

Please do not hesitate to contact us if you have any questions about this letter, and I thank you in advance for your timely response.

Yours sincerely,



Elliott Harper
Head of Governance Services & BSC Panel Secretary

List of enclosures
Attachment 1: P446 Proposal Form
Attachment 2: P446 BSC Panel Slides