

Modification proposal:	<b>Balancing and Settlement Code (BSC) P452: 'Replacement of Energy Bill Relief Scheme for non-domestic customers with Energy Bill Discount Scheme' (P452)</b>		
Decision:	The Authority <sup>1</sup> directs that this modification be made <sup>2</sup>		
Target audience:	National Grid Electricity System Operator (NGESO), Parties to the BSC, the BSC Panel and other interested parties		
Date of publication:	21 April 2023	Implementation date:	1 Working Day after the date of this decision

## Background

On 9 January 2023, the Government announced the 'Energy Bill Discount Scheme' to start from 1 April 2023 to 31 March 2024. The Energy Bill Discount Scheme (EBDS) will provide a discount on wholesale gas and electricity prices for all non-domestic customers, with higher discounted rates available for eligible Energy Trade and Intensive Industries (ETIIs) and Heat Networks. The Government will pay the difference directly to suppliers.

The Balancing and Settlement Code (BSC) sets out the powers, functions and constitution of the BSC Company (BSCCo). Elexon is the BSCCo and is a non-profitmaking limited liability company established to facilitate the effective delivery, implementation and operation of the GB electricity balancing and settlement arrangements. The BSC is derived from the Electricity Transmission licence held by National Grid (NG) Electricity System Operator (ESO). That licence defines the activities and remit of the BSC and Elexon as the BSCCo.

<sup>1</sup> 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.

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

## The modification proposal

BSC Modification Proposal P452 was raised by NGENSO on 28 March 2023. The proposal seeks to expand Elexon's vires to act as scheme administrator for the Government's EBDS for non-domestic electricity consumers. The proposal will expand Elexon's vires under the BSC to continue to provide a non-Settlement related function administering the EBDS.

NGESO requested that P452 be treated as an Urgent BSC Modification Proposal due to the need to progress P452 as an imminent or current issue.<sup>3</sup> The proposer sought a recommendation from the BSC Panel to this effect on 28 March 2023. Following an Urgent BSC Panel Meeting on the same day, the BSC Panel unanimously agreed to this recommendation and sought our approval to treat P452 as an Urgent BSC Modification Proposal.

On 29 March 2023, we agreed to the Panel's request to give urgent consideration to P452 in accordance with the urgent timetable proposed by the Panel.<sup>4</sup>

## BSC Panel<sup>5</sup> recommendation

At the BSC Panel meeting on 28 March 2023, the BSC Panel (the Panel) unanimously considered that P452 would better facilitate the BSC objectives, and the Panel therefore recommended its approval. The Panel considered that BSC objectives (c) and (d) are positively impacted by P452, while P452 has a neutral impact on the other applicable objectives.

## Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 14 April 2023. We have considered and taken into account the responses to the industry consultation attached to the FMR.<sup>6</sup> We have concluded that:

---

<sup>3</sup> In line with Ofgem's published [Guidance on Code Modification Urgency Criteria](#), we may grant urgency to a code modification where we are satisfied that an imminent issue or a current issue that is not urgently addressed may cause a significant commercial impact on parties, consumers or other stakeholder(s). The imminent issue may be date-related.

<sup>4</sup> Our [P452 urgency decision letter](#) appears on the Ofgem website.

<sup>5</sup> 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](#).

<sup>6</sup> BSC modification proposals, modification reports and representations can be viewed on the [Elexon website](#).

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the BSC;<sup>7</sup> and
- directing that the modification be made is consistent with our principal objective and statutory duties.<sup>8</sup>

## **Reasons for our decision**

We consider this modification proposal will better facilitate BSC objectives (c) and (d) and has a neutral impact on the other applicable objectives.

### ***(c) promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity***

We agree with the view of the Proposer and majority view of the BSC Panel that P452 will better facilitate BSC objective (c) as it will support the continued operation of suppliers through the ongoing wholesale energy price crisis. This will facilitate more robust competition when market conditions return closer to normal. The increase in market wholesale costs and the possible inability of non-domestic consumers to pay bills can impact supplier financeability and risk supplier default. The EBDS seeks to compensate suppliers for the reduced tariffs offered to business consumers. As this modification will facilitate the timely implementation of the EBDS, we agree with the Proposer's and majority Panel view.

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

In the view of the Proposer and the BSC Panel, P452 will better facilitate Applicable BSC Objective (d) as the Proposer anticipates that there would be a reduced number of expected supplier failures as a result of the EBDS. Supplier defaults are resource intensive for the BSC Panel and for BSCCo, and therefore reduce the efficiency of the balancing and settlement arrangements. If the EBDS results in fewer defaults, then there will be an administrative benefit and lower levels of mutualised costs for other parties. We agree with this view. In addition, in our view, P452 will ensure reduced impact of market disruption through the use of the settlement process as payments to suppliers will be settled through the use of an existing process rather than the creation of a new mechanism.

---

<sup>7</sup> As set out in [Standard Condition C3\(3\) of the Electricity Transmission Licence](#).

<sup>8</sup> 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.

## **Assessment against Authority's principal objective and statutory duties**

We have considered whether directing the implementation of P452 would be consistent with our principal objective of protecting the interests of existing and future consumers, as well as our statutory duties under the Electricity Act 1989. We consider that P452 would help to facilitate this statutory duty, which is also reflected in the relevant objectives of the BSC, in particular, the relevant objective (c) as set out above.

In considering our statutory duty to have regard to the need to secure that licence holders are able to finance their activities, we consider that P452 plays an important role in enabling the EBDS to run smoothly and to enable suppliers to receive the funding from Government.

We have also had regard to the interests of the existing non-domestic consumers receiving the benefit of the scheme. We consider that P452, by facilitating the timely implementation of the EBDS, will make an important contribution to mitigating risks of non-domestic consumers, including those struggling to pay their bills, not receiving the discount they need when they need it.

## **Elxon's role as the EBDS Administrator**

For previous modifications where we approved an expansion to Elxon's vires, we listed four criteria against which we would assess whether an activity would be appropriate for Elxon to pursue, namely:

- i. BSC Parties should benefit from any diversification,
- ii. the arrangements should not place disproportionate risk on BSC Parties,
- iii. standards of service under the BSC should be maintained, and
- iv. Elxon's BSC role should not give it any undue competitive advantage in a contestable activity.

P452 seeks to enable Elxon to act as the EBDS Administrator. This is an expansion of Elxon's vires. Elxon or its affiliates have taken on non-BSC roles in past years (including the recent Energy Bill Relief Scheme (EBRS)), following specific BSC modifications and with our consent.

## **Decision notice**

In accordance with Standard Condition C3 of the Transmission Licence, the Authority hereby directs that modification proposal BSC P452: 'Replacement of Energy Bill Relief Scheme for non-domestic customers with Energy Bill Discount Scheme' be made.

**James P Thomson**

**Head of EBRS and EBDS**

Signed on behalf of the Authority and authorised for that purpose