

Modification proposal:	Balancing and Settlement Code (BSC) 468: Enabling Elexon to support the (currently in draft) Electricity Support Payments and Levy Regulations 2024 (P468)		
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:	5 April 2024	Implementation date:	Five working days after Authority decision

Background

Work by the Department for Business and Trade suggests that GB industrial electricity costs are higher than those in competing European economies. To bring GB electricity costs for Energy Intensive Industries (EIIs) closer to levels seen in other nations and incentivise UK EII investment, the government has introduced measures that compensate EIIs for a portion of their network charging costs³. The Legislation⁴, The Energy-Intensive Industry Electricity Support Payments and Levy Regulations 2024⁵, implements a compensation scheme that will be funded through an EII Support Levy (ESL) on licensed GB electricity Suppliers.

The Legislation requires Elexon to perform new roles as the EII Levy Administrator (collecting monies from Suppliers to support the Electricity Support Payment Scheme (ESP) scheme) and EII Support Payments Administrator (administering the EII Support Payment). Currently, the

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 [Energy Security Bill factsheet: Network charging compensation scheme for energy intensive industries \(added 9 May 2023\) - GOV.UK \(www.gov.uk\)](#)

⁴ We refer to The Energy-Intensive Industry Electricity Support Payments and Levy Regulations 2024 as 'the Legislation' in this letter, unless otherwise stated.

⁵ [The Energy-Intensive Industry Electricity Support Payments and Levy Regulations 2024 \(legislation.gov.uk\)](#)

activities Elexon or its subsidiaries are permitted to undertake are reflected in BSC Section C 'BSSCo and its Subsidiaries'⁶. A modification to Elexon's listed activities is required to reflect the responsibilities that the Panel and Panel Committees will have in respect of Elexon's functions as Scheme Administrator following the legislative changes.

The modification proposal

On 8 February 2024 BSC Panel meeting (347/034)⁷ the BSC Panel agreed to designate the Low Carbon Contracts Company (LCCC) as the Proposer for P468, following a successful Third Party Application process⁸. On the same date, BSC modification proposal P468 (the 'Proposal') was raised by the LCCC (the 'Proposer'). The Proposal was followed by a draft modification report, which, following consultation, was presented to the BSC Panel on 14 March 2024.

P468 seeks to modify the BSC to enable Elexon and its subsidiaries to reflect the new appointments on Elexon as the EII Support Payment Administrator and the EII Levy Administrator for the ESP Scheme, as per the Legislation.

The Proposal provides for changes to BSC Section C 'BSSCo and its Subsidiaries' to reflect the extension of Elexon's vires in line with the Legislation. The amendment would codify the new non-BSC related function that Elexon can now undertake as per the Legislation.

To implement the solution to P468, amendments will be required to:

- BSC Section C 'BSSCo and its Subsidiaries' Annex C-1 to expand the scope of Elexon's permitted activities.

The Proposer believes that BSC code objective (d)⁹ is better facilitated by this change and that there is a neutral impact on the other code objectives.

⁶ <https://bscdocs.elexon.co.uk/bsc/bsc-section-c-bscco-and-its-subsidiaries>

⁷ [BSC Panel 347 - Elexon BSC](#)

⁸ [Raising a BSC Change as a Non-BSC Party - Elexon BSC](#)

⁹ Applicable BSC Objective (d) is "promoting efficiency in the implementation and administration of the balancing and settlement arrangements".

BSC Panel¹⁰ recommendation

At the BSC Panel meeting on 14 March 2024, a majority of the BSC Panel unanimously considered that P468 would better facilitate BSC objective (d) and the Panel therefore recommended its approval.

Our decision

We have considered the issues raised by the Proposal and the Final Modification Report (FMR) dated 14 March 2024. We have considered and taken into account the responses to the industry consultation(s) which are attached to the FMR¹¹. We have concluded that:

- implementation of the Proposal will better facilitate the achievement of the applicable objectives of the BSC;¹² and
- directing that the Proposal be made is consistent with our principal objective and statutory duties.¹³

Reasons for our decision

We consider this modification proposal will better facilitate 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

The Proposer and Panel unanimously voted that P468 better facilitates objective (d). The Proposer and Panel agreed that Elexon has a unique position within the electricity industry

¹⁰ 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](#).

¹¹ BSC modification proposals, modification reports and representations can be viewed on the [Elexon website](#).

¹² As set out in [Standard Condition C3\(3\) of the Electricity Transmission Licence](#).

¹³ 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.

that means it is best placed and most efficient to provide the assurance of the scheme and to facilitate payments to EIIs, by utilising the existing systems for Energy Bill Relief Scheme.

They considered that allowing Elexon to undertake this activity would better facilitate objective (d) as:

- sharing the fixed costs of Elexon across other activities allows costs to the BSC Parties to be defrayed; and
- as a new activity, this will provide opportunities to staff to work on a wider range of activities, which will help Elexon to retain, attract and develop its people for the benefit of industry.

Our view

We consider that P468 better facilitates objective (d). We consider that P468 will ensure the BSC accurately reflect the powers conferred by the Legislation, enabling Elexon to efficiently fulfil its new responsibilities without confusion.

Decision notice

In accordance with Standard Condition C3 of the Transmission Licence, the Authority hereby directs that modification proposal BSC P468: 'Enabling Elexon to support the (currently in draft) Electricity Support Payments and Levy Regulations 2024' be made.

Andrew Malley

Head of Distribution and Residual Charging

Signed on behalf of the Authority and authorised for that purpose