










BSC Modification Proposal Form		At what stage is this document in the process?
<div>Mod Title: Enabling Elexon to support the (currently in draft) Electricity Support Payments and Levy Regulations 2024</div>		<div><div>01Modification</div><div>02Workgroup Report</div><div>03Draft Modification Report</div><div>04Final Modification Report</div></div>
<div><div>Purpose of Modification:</div><div>This Modification seeks to allow Elexon to act as EII Support Payment Administrator and EII EII Levy Administrator for the Department of Business and Trade’s (DBT) Electricity Support Payment Scheme (ESP) Scheme, if appointed to those roles by the DBT.</div></div>		
<div><div>Does this Modification impact any of the European Electricity Balancing Guideline (EBGL) Article 18 Terms and Conditions held within the BSC?</div><div><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</div></div>		
<div></div>	<div>The Proposer recommends that this Modification should:</div> <ul style="list-style-type: none"><li>be sent directly into the Report Phase</li></ul> <div>This Modification will be presented by the Proposer to the BSC Panel on 8 February 2024. The Panel will consider the Proposer’s recommendation and determine how best to progress the Modification.</div>	
<div></div>	<div>High Impact:</div> <div>None</div>	
<div></div>	<div>Medium Impact:</div> <div>Elexon</div>	
<div></div>	<div>Low Impact:</div> <div>Suppliers</div>	

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Timetable		<b>Proposer:</b> Low Carbon Contracts Company
<b>The Proposer recommends the following timetable:</b>		<b>Proposer's representative:</b> Patrick Bibby
Designation request and Modification Proposal considered by the Panel	8 February 2024	
Report Phase Consultation	12 February 2024 – 26 February 2024	 patrick.bibby@lowcarboncontracts.uk
Draft Modification Report presented to Panel	14 March 2024	
Final Modification Report submitted to Authority	14 March 2024	 07429502580
		<b>Other:</b> N/A
		 N/A
		 N/A
		<b>Other:</b> N/A
		 N/A
		 N/A

# 1 Why Change?

## What is the issue?

Energy Intensive Industries (EIIs) are large energy users (for example engineering, mining, steel, and meat processing sites) for whom standing charges related to network use such as the Distributed Use of System Charges can represent a significant impact to their overall energy bill.

In order to incentivise investment in the British Energy Intensive Industries (EIIs) and thereby make them more competitive across Europe, two measures have previously been put in place:

- 85% - 100% subsidy for Feed in Tariffs, Renewables Obligations and Contracts for Difference for existing EII
- Full exemptions for EII from Capacity Market (CM) levy costs

To further increase investment, the government (via the Department of Business and Trade) will be [implementing a third measure for which relevant legislation is being drafted](#) to [compensate EIIs for a portion of their network costs](#). The funding for the compensation will be raised through an EII Support Levy (ESL) which will be raised on licensed UK electricity Suppliers and will provide EIIs with relief on a portion of their network charging costs.

## ESP Scheme Administrator Role

Exelon expects that it will be asked to perform separate and distinct roles as the EII Levy Administrator (collecting monies from Suppliers to support the scheme) and EII Support Payments Administrator (administering the EII Support Payment).

The administration of the ESP Scheme will require the development of new calculation and payment systems that will utilise BSC data, but will not amend existing BSC Central Systems. The proposed system solution involves information extracted from the Supplier Volume Allocation Agent (SVAA).

The activities Exelon or its subsidiaries are permitted to undertake are outlined in [BSC Section C 'BSSCo and its Subsidiaries'](#) and a Modification to Exelon's vires is required setting out the responsibilities or not, that the Panel and Panel Committees will have in respect of Exelon's functions as EII Support Payment Administrator and EII Levy Administrator.

## How will the ESP Scheme be delivered?

Responsibility for delivering the EII Support Payment Administrator and EII Levy Administrator roles would lie with Exelon (rather than EMRS), but we anticipate making use of systems developed by EMRS to operate EMR Settlement. EMRS is a wholly owned subsidiary of Exelon, and these arrangements will be in accordance with the managed services agreement that sets out the arrangement for the provision of shared services and resources between Exelon and EMRS. In addition, a licence will be in place between LCCC and Exelon, enabling Exelon to utilise, for this scheme, systems that have been developed to operate EMR settlement. Both, the shared services and the licence will allow Exelon to carry out the processes that enable EIIs to be compensated, supplier payments to be calculated and settled corresponding to each supplier's market share, with Exelon providing Supplier demand data to calculate their market share, in order to compensate EIIs.

Exelon staff who have expertise in EMRS' provision of Settlement Services on behalf of LCCC/ESC and therefore deal with the operational and settlement calculation activities related to EIIs, will support the operation of the ESP scheme.

Elexon may subcontract smaller parts of the services to one of its current service provider, to enable the use of the portal.

All of the costs incurred by Elexon (as EII Support Payment Administrator and EII Levy Administrator) will be recovered through the EII Levy (in accordance with the Regulations). This Modification will therefore not increase the costs recovered from BSC Parties through the BSC Section D Charging Arrangements.

Principally, to enable Elexon to deliver and operate the ESP scheme, the BSC needs to be modified to allow for Elexon to use Supplier Metered Volume data to apportion the total Levy Amount based on Supplier Market Share.

### **Draft Regulation to be issued by the Secretary of State**

The Scheme will be set out in the (currently in draft) Energy Intensive Industry Electricity Support Payments and Levy Regulations 2024 and all rights and obligations will be directly derived from these Regulations binding Elexon in its role as both EII Support Payment Administrator and EII Levy Administrator as well as participating EII certificate holders and licenced Suppliers (the Scheme Participants).

### **Desired outcomes**

This Modification seeks to enable Elexon to implement and operate the ESP scheme, proposed to be established by the Department of Business and Trade and the Secretary of State. It seeks to allow for the appointment of Elexon as the Scheme Administrator and sets out the framework to reflect and incorporate its obligations and rights under the relevant legislation.

## 2 Solution

### Proposed Solution

This Modification seeks to modify the BSC to enable Elexon to deliver the ESP Scheme set out in the (currently in draft) Electricity Support Payments and Levy Regulations 2024.

Implementing the solution to this Modification will require changes to BSC Section C 'BSCCo and its Subsidiaries' to extend the vires for Elexon. The amendment would have to allow Elexon to undertake a new non-BSC related function, acting as EII Support Payment Administrator and EII Levy Administrator for the ESP Scheme.

The proposed BSC Modification will describe and limit Elexon's role and functions by reference to the (currently in draft) Energy Intensive Industry Electricity Support Payments and Levy Regulations 2024 ("the Regulation"). The intention of referencing out to the Regulation is to ensure consistency and prevent divergence between obligations set out in the Regulation and the BSC.

The detailed rights and obligations relating to the ESP Scheme will be set out by the Government in the Regulation. The Secretary of State will appoint Elexon to undertake the ESP scheme functions.

As Elexon will be performing a separate and distinct role as the ESP Scheme Provider performing the role of both EII Support Payment Administrator and EII Levy Administrator, the proposed Modification provides that the Panel and Panel Committees will not have any responsibilities in respect of Elexon's functions as ESP Scheme Provider.

No impact on BSC Parties or Agents is expected. Suppliers (as BSC Parties) will not be directly impacted by this Modification as an enabling change to Elexon's vires that is limited to enabling support of the expected ESP Scheme.

### Benefits

The benefits of the Modification would primarily centre around securing reductions in the electricity bills of EII consumers in Great Britain. This would have a positive impact on these businesses and the economy. The benefits of Elexon carrying out this role are that Elexon already has established relationships and are a trusted payment provider within the industry. In addition, the financial systems and contacts Elexon already has in place would allow for the prompt set-up of systems, and reduce costs by re-using systems developed for EMR Settlement.

### 3 Relevant Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Neutral
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Neutral
(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	Neutral
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	<b>Positive</b>
(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]	Neutral
(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

#### Applicable BSC Objective (d)

The Proposer believes this Modification will better facilitate Applicable BSC Objective (d) as Elexon has a unique position within the electricity industry that means it is best placed and most efficient to provide the assurance of the scheme and to facilitate payments to EIs. Elexon has existing systems and contacts for banking from the EBR Scheme that will be necessary for the first payments to be made on time under the new arrangements as well as established relationships with all licenced Suppliers under the BSC.

Allowing Elexon to undertake this activity will facilitate objective (d) as:

- sharing the fixed costs of Elexon across other activities allows costs to the BSC Parties to be defrayed; and
- any new activity 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.

## 4 Potential Impacts

No changes are required to BSC Systems. Low implementation cost expected for Elexon associated with amending the relevant BSC documents.

Ongoing costs for Elexon are expected to be low, associated with maintaining ongoing reporting and administration of the ESP Scheme.

### Impacts on Core Industry Documents

Impacted Core Industry Documents			
<input type="checkbox"/> Ancillary Services Document	<input type="checkbox"/> Connection and Use of System Code	<input type="checkbox"/> Data Transfer Services Agreement	<input type="checkbox"/> Use of Interconnector Agreement
<input type="checkbox"/> Retail Energy Code	<input type="checkbox"/> Transmission License	<input type="checkbox"/> System Operator Transmission Owner Code	<input type="checkbox"/> Supplemental Agreements
<input type="checkbox"/> Distribution Code	<input type="checkbox"/> Grid Code	<input type="checkbox"/> Other (please specify)	

No impact anticipated for this Modification.

### Impacts on BSC Systems

Impacted Systems				
<input type="checkbox"/> CRA	<input type="checkbox"/> CDCA	<input type="checkbox"/> PARMS	<input type="checkbox"/> SAA	<input type="checkbox"/> BMRS
<input type="checkbox"/> EAC/AA	<input type="checkbox"/> FAA	<input type="checkbox"/> TAAMT	<input type="checkbox"/> NHHDA	<input type="checkbox"/> SVAA
<input type="checkbox"/> ECVA	<input type="checkbox"/> ECVA Web Service	<input type="checkbox"/> Elexon Portal	<input type="checkbox"/> Other (Please specify)	

No impact anticipated.

### Impacts on BSC Parties

Impacted Parties			
<input checked="" type="checkbox"/> Supplier	<input type="checkbox"/> Interconnector User	<input type="checkbox"/> Non Physical Trader	<input type="checkbox"/> Generator
<input type="checkbox"/> Licensed Distribution System Operator	<input type="checkbox"/> National Electricity Transmission System Operator	<input type="checkbox"/> Virtual Lead Party	<input type="checkbox"/> Other (Please specify)

The ESP Scheme is expected to be funded through a charge on licenced electricity suppliers and, by extension, their customers. The draft regulation provides the Secretary of State with the enabling powers

to, through secondary legislation, implement and modify a charge, however this does not form part of this BSC Modification, which only seeks to allow Elexon to operate the scheme.

Impacts on consumers and the environment

Impact of the Modification on consumer benefit areas:	
Consumer benefit area	Identified impact
Improved safety and reliability	Neutral
None identified	
Lower bills than would otherwise be the case  This Modification would enable a scheme that will directly lower applicable EII consumers' bills by providing a subsidy to Suppliers. This would result in lower energy bills for this class of consumer than currently faced.	Positive
Reduced environmental damage None identified	Neutral
Improved quality of service None identified	Neutral
Benefits for society as a whole The ESP Scheme incentivises investment in the British EII's and thereby makes them more competitive across Europe, promoting and protecting jobs and creating an overall positive effect on the economy.	Positive

Legal Text Changes

[BSC Section C 'BSSCo and its Subsidiaries' Annex C-1](#) will be impacted by this Modification.

## 5 Governance

### Self-Governance

<input type="checkbox"/> <b>Not Self-Governance</b> – A Modification that, if implemented:	
<input type="checkbox"/> materially impacts the Code's governance or modification procedures	<input type="checkbox"/> materially impacts sustainable development, safety or security of supply, or management of market or network emergencies
<input type="checkbox"/> materially impacts competition	<input checked="" type="checkbox"/> materially impacts existing or future electricity consumers
<input type="checkbox"/> materially impacts the operation of national electricity Transmission System	<input type="checkbox"/> is likely to discriminate between different classes of Parties
<input type="checkbox"/> involves any amendments to the EBGL Article 18 Terms and Conditions related to Balancing; except to the extent required to correct an error or as a result of a factual change	
<input type="checkbox"/> <b>Self-Governance</b> – A Modification that, if implemented:	
Does not materially impact on any of the Self-Governance criteria provided above	

This change would facilitate government policy that offers material savings for EII consumers.

### Progression route

<input type="checkbox"/> <b>Submit to assessment by a Workgroup</b> – A Modification Proposal which:	
does not meet any criteria to progress via any other route.	
<input checked="" type="checkbox"/> <b>Direct to Report Phase</b> – A Modification Proposal whose solution is typically:	
<input type="checkbox"/> of a minor or inconsequential nature	<input checked="" type="checkbox"/> deemed self-evident
<input type="checkbox"/> <b>Fast Track Self-Governance</b> – A Modification Proposal which meets the Self-Governance Criteria and:	
is required to correct an error in the Code as a result of a factual change including but not limited to:	
<input type="checkbox"/> updating names or addresses listed in the Code	<input type="checkbox"/> correcting minor typographical errors
<input type="checkbox"/> correcting formatting and consistency errors, such as paragraph numbering	<input type="checkbox"/> updating out of date references to other documents or paragraphs
<input type="checkbox"/> <b>Urgent</b> – A Modification Proposal which is linked to an imminent issue or current issue that if not urgently addressed may cause:	
<input type="checkbox"/> a significant commercial impact on Parties, Consumers or stakeholder(s)	<input type="checkbox"/> a Party to be in breach of any relevant legal requirements.
<input type="checkbox"/> a significant impact on the safety and security of the electricity and/or gas systems	

This Modification should be progressed as direct to Report Phase Modification as the solution is well defined.

The scope of the Modification is limited to enabling Elexon to support the Department of Business and Trade's (DBT) and Industry's ESP Scheme.

The existing ring fencing provisions in the BSC that ensure separation between the BSC arrangements and the EMR arrangements would apply to any such new activities. We do not therefore believe this Modification will benefit from assessment by a Workgroup as the solution reflects the requirements imposed under the draft Regulation.

**Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?**

No impact anticipated.

**Does this modification impact the code drafting and system development for Market wide Half Hourly Settlement (MHHS), if so, how?**

No impact anticipated.

**Does this Modification impact any of the EBGL Article 18 Terms and Conditions held within the BSC?**

No impact anticipated.

**Implementation approach**

This Modification should be implemented at the earliest opportunity and is suggested for implementation 5 Working Days after Authority approval.