

P468 ‘Enabling Elexon to support the (currently in draft) Electricity Support Payments and Levy Regulations 2024’

P468 seeks to allow Elexon to act as EII Support Payment Administrator and 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



The BSC Panel initially recommends **approval** of P468



The BSC Panel **does not** believe P468 impacts the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC

P468 is expected to impact:

- Elexon



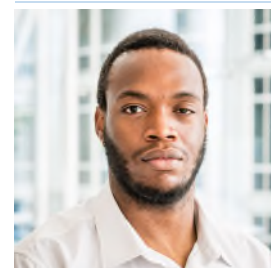
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Not sure where to start?

We suggest reading the following sections:

- Have 5 minutes? Read section 1
- Have 15 minutes? Read sections 1, 7 and 8
- Have 30 minutes? Read all except section 6
- Have longer? Read all sections and the annexes and attachments.

P468

Draft Modification Report
(348/04)

7 March 2024

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About This Document

You can find the definitions of the terms and acronyms used in this document in the [BSC Glossary¹](#).

This is the P468 Draft Modification Report, which Elexon will present to the Panel at its meeting on 14 March 2024. It includes the responses received to the Report Phase Consultation on the Panel's initial recommendations. The Panel will consider all responses, and will agree a final recommendation to the Authority on whether the change should be made.

There are four parts to this document:

- This is the main document. It provides details of the solution, impacts, costs, benefits/drawbacks and proposed implementation approach.
- Attachment A contains the P468 Proposal Form.
- Attachment B contains the draft redlined changes to the BSC for P468.
- Attachment C contains the full responses received to the Panel's Report Phase Consultation.

¹ <https://www.elexon.co.uk/glossary/?show=all>



Energy Intensive Industries

Energy Intensive Industries, [as listed by UK government guidance](#), include coal mining, steel production, chemical production, engineering, brick making, quarrying, leather tanning, and meat processing. It also includes the manufacturing of certain items ranging from wallpaper to electronic components

Why change?

To increase investment in Energy Intensive Industries (EII), the government (via the Department of Business and Trade) will be implementing a measure for which relevant legislation is being drafted to [compensate EII for a portion of their network charging costs](#)², with funding for the compensation raised through an EII Support Levy (ESL) on licensed UK electricity Suppliers.

Elexon 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 activities Elexon or its subsidiaries are permitted to undertake are outlined in [BSC Section C 'BSCCo and its Subsidiaries'](#)³ and a Modification to Elexon's vires is required setting out the responsibilities or not, that the Panel and Panel Committees will have in respect of Elexon's functions as Scheme Administrator.

At their meeting on 7 February 2024 ([347/03](#)⁴) the BSC Panel agreed to designate the Low Carbons Contracts Company (LCCC) as the Proposer for P468, following a successful Third Party Application process.

Solution

P468 seeks to modify the BSC to enable Elexon and its subsidiaries to support the (currently in draft) [Electricity Support Payments and Levy Regulations 2024](#)⁵.

Implementing the solution to P468 will require changes to BSC Section C 'BSCCo and its Subsidiaries' to extend the vires for Elexon. The amendment would allow Elexon to undertake a new non-BSC related function, acting as EII Support Payment Administrator and EII Levy Administrator for the ESP scheme.

Impacts & Costs

No direct impact on BSC Parties or Agents is expected. Suppliers (as BSC Parties) will not be directly impacted by P468 as an enabling change to Elexon's vires that is limited to enabling support of the expected ESP Scheme.

An update to BSC Section C is required and implementation costs are expected to be less than £1k to make the required changes. The ring-fencing of risks and liabilities between BSCCo and EMRS will not be impacted by this change. The Modification Proposal will not require any changes to the BSC systems and ongoing costs for Elexon are expected to be low, associated with maintaining ongoing reporting and administration of the ESP Scheme.

² <https://www.gov.uk/government/publications/energy-security-bill-factsheets/energy-security-bill-factsheet-network-charging-compensation-scheme-for-energy-intensive-industries>

³ <https://bscdocs.elexon.co.uk/bsc/bsc-section-c-bscco-and-its-subsidiaries>

⁴ <https://www.elexon.co.uk/meeting/bsc-panel-347/>

⁵ https://www.legislation.gov.uk/ukdsi/2024/9780348256710/pdfs/ukdsi_9780348256710_en.pdf

Cost Estimates			
Organisation	Implementation (£)	On-going (£)	Impacts
Elexon	1k	Low	Updates to 1 BSC Sections, plus additional ongoing resource to support the scheme (estimated at 1 FTE)
Industry	None	0	No expected costs for P468. 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.
Total	Low	Low	

Implementation

The BSC Panel recommend that P468 is implemented 5 Working Days (WDs) following an Ofgem decision to approve P468. This will enable P468 to be implemented at the earliest opportunity.

Recommendation

The BSC Panel agreed to designate LCCC to raise P468 and progress it directly to Report Phase Consultation, for decision by Ofgem (not Self-Governance).

The Panel initially and unanimously agree that P468 should be **approved**. There was unanimous agreement that the Modification better facilitates Applicable BSC Objective (d). All Members agreed that P468 was neutral against all other Objectives and that it should be **submitted to Ofgem for decision**. The Panel **do not** believe P468 impacts the EBGL Article 18 terms and conditions.

What is the issue?

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 EIIs and thereby make them more competitive across Europe, two measures have been put in place:

- 85% - 100% subsidy for Feed in Tariffs, Renewables Obligations and Contracts for Difference for existing EII; and
- Full exemptions from EII for 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](#)⁶. 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.

However, the activities Elexon or its subsidiaries are permitted to undertake are outlined in BSC Section C 'BSSCo and its Subsidiaries' and a Modification to Elexon's vires is required setting out the responsibilities or not, that the Panel and Panel Committees will have in respect of Elexon's functions as Scheme Administrator.

Background

ESP Scheme Administrator Role

Elexon 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).

How will the ESP Scheme be delivered?

Responsibility for delivering the EII Support Payment Administrator and EII Levy Administrator roles would lie with Elexon (rather than EMRS), but we anticipate making use of systems developed by EMRS to operate EMR Settlement. EMRS is a wholly owned subsidiary of Elexon, 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 Elexon and EMRS. In addition, a licence will be in place between LCCC and Elexon, enabling Elexon to utilise, for this scheme, systems that have been developed to operate EMR settlement. Both, the shared services and the licence will allow Elexon to carry out the processes that enable EIIs to be compensated, supplier payments

⁶ <https://www.gov.uk/government/publications/energy-security-bill-factsheets/energy-security-bill-factsheet-network-charging-compensation-scheme-for-energy-intensive-industries>

to be calculated and settled corresponding to each supplier's market share, with Elexon providing Supplier demand data to calculate their market share, in order to compensate EIs.

Elexon 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 EIs, will support the operation of the ESP scheme.

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

All of the costs incurred by Elexon (as EI Support Payment Administrator and EI Levy Administrator) will be recovered through the EI Levy (in accordance with the Regulations). P468 will therefore not increase the costs recovered from BSC Parties through the [BSC Section D 'BSC Cost Recovery and Participation Charges'⁷](#) 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 EI Support Payment Administrator and EI Levy Administrator as well as participating EI certificate holders and licenced Suppliers (the Scheme Participants).

Desired outcomes

P468 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.

⁷ <https://bscdocs.elexon.co.uk/bsc/bsc-section-d-bsc-cost-recovery-and-participation-charges>



Proposed solution

P468 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.

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

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

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").

Implementing the solution to P468 will require changes to BSC Section C to extend the vires for Elexon. The amendment would 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 detailed rights and obligations relating to the EII Support Payment Scheme will be set out by the Government in the Regulation. The Secretary of State will appoint Elexon to undertake the ESP scheme functions.

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.

As Elexon will be performing a separate and distinct role as EII Support Payment 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 Support Payment Scheme Provider.

Draft legal text for P468 can be found in Attachment B.

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.

Applicable BSC Objectives

The Proposer and the BSC Panel believe the Modification Proposal will better facilitate the achievement of Applicable BSC Objectives (d):

Applicable BSC Objective (d)

P468 is expected to 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

What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(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

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

(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]

(f) Implementing and administering the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

(g) Compliance with the Transmission Losses Principle

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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.

Implementation approach

The BSC Panel recommend an Implementation Date for P468 of:

5 Working Days after Authority decision, as part of a special BSC Release

Legal text

The redlined changes to the BSC can be found in Attachment B. Changes will be made to [BSC Section C 'BSCCo and its Subsidiaries'⁸](#).

⁸ <https://bscdocs.elexon.co.uk/bsc/bsc-section-c-bscco-and-its-subsidiaries>

Estimated costs of P468

Costs will be assessed during the Report Phase Consultation. However, for those roles we believe will be impacted, we have indicated in the impacts section whether we believe the costs are likely to be high, medium or low based on the following categories:

- High: >£1 million
- Medium: £100-1000k
- Low: <£100k

Implementation costs estimates			
Organisation	Item	Implementation costs (£)	Comment
Elexon	Systems	None	No systems impacted. The proposed solution involves information extracted from the Supplier Volume Allocation Agent (SVAA).
	Documents	~£1K	Costs related to implementing changes to BSC Section C.
	Other		
NGESO	Systems	N/A	
	Other	N/A	
Industry	Systems & processes	N/A	No expected changes to implement P468, 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.
Total		Low	

On-going costs estimates		
Organisation	On-going costs (£)	Comment
Elexon	Low	Estimated 1.0 additional FTE for Elexon to support the scheme.
NGESO	N/A	
Industry	Low	No expected ongoing changes to implement P468.
Total	Low	

P468 Impacts

Impact on BSC Parties and Party Agents	
Party/Party Agent	Potential Impact
Supplier	The ESP Scheme is expected to be funded through a charge on licenced electricity suppliers and, by extension, their customers. The Bill 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.

Impact on the NETSO	
Potential Impact	Potential cost
No impact expected	N/A

Impact on BSCCo		
Area of Elexon	Potential Impact	Potential cost
EMRS	Receiving the necessary data from BSCCo to enable calculations related to operation of the ESP scheme	L
Finance	Operational impact relating to provision of data to support the scheme, estimated at 1 additional FTE.	L

Impact on BSC Settlement Risks
No impact on BSC Settlement Risks, this change is not expected to impact Settlement.

Impact on BSC Systems and processes	
BSC System/Process	Potential Impact
No impact expected	

Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Potential Impact
No impact expected	

Impact on Code	
Code Section	Potential Impact
BSC Section C	Changes to allow Elexon to undertake a new non-BSC related function, acting as EII Support Payment Administrator and EII Levy Administrator for the scheme, describing and limiting Elexon's role and functions

Impact on MHHS	
No impact on design or drafting related to implementation of Market Wide Half Hourly Settlement (MHHS)	

Impact on EBGL Article 18 terms and conditions	
No impact anticipated	

Impact on Code Subsidiary Documents	
CSD	Potential Impact
None	

Impact on other Configurable Items	
Configurable Item	Potential Impact
None	

Impact on Core Industry Documents and other documents	
Document	Potential Impact
None anticipated	

Impact on a Significant Code Review (SCR) or other significant industry change projects	
No impact anticipated, Ofgem have confirmed that they consider P468 exempt from any open SCRs.	



Impact of P468 on the environment and consumer benefit areas:	
Consumer benefit area	Identified impact
1) Improved safety and reliability None identified	Neutral
2) Lower bills than would otherwise be the case P468 would enable a scheme that will directly lower applicable EII consumers' bills by providing a subsidy. This would result in lower energy bills for this class of consumer than currently faced.	Positive
3) Reduced environmental damage None identified	Neutral
4) Improved quality of service None identified	Neutral
5) Benefits for society as a whole The ESP Scheme incentivises investment in the British EIs and thereby makes them more competitive across Europe, promoting and protecting jobs and creating an overall positive effect on the economy.	Positive

What are the consumer benefit areas?

- 1) Will this change mean that the energy system can operate more safely and reliably now and in the future in a way that benefits end consumers?
- 2) Will this change lower consumers' bills by controlling, reducing, and optimising spend, for example on balancing and operating the system?
- 3) Will this proposal support:
 - i) new providers and technologies?
 - ii) a move to hydrogen or lower greenhouse gases?
 - iii) the journey toward statutory net-zero targets?
 - iv) decarbonisation?
- 4) Will this change improve the quality of service for some or all end consumers. Improved service quality ultimately benefits the end consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.
- 5) Are there any other identified changes to society, such as jobs or the economy.



What is the Self-Governance Criteria?

A Modification that, if implemented:

(a) does not involve any amendments whether in whole or in part to the EBGL Article 18 terms and conditions; except to the extent required to correct an error in the EBGL Article 18 terms and conditions or as a result of a factual change, including but not limited to:

(i) correcting minor typographical errors;

(ii) correcting formatting and consistency errors, such as paragraph numbering; or

(iii) updating out of date references to other documents or paragraphs;

(b) is unlikely to have a material effect on:

(i) existing or future electricity consumers; and

(ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and

(iii) the operation of the national electricity transmission system; and

(iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and

(v) the Code's governance procedures or modification procedures; and

(b) is unlikely to discriminate between different classes of Parties.

Recommended Implementation Date

The Panel recommends an Implementation Date for P468 of:

- 5 Working Days after Authority decision, as part of a special BSC Release

This approach will enable P468 to be implemented at the earliest opportunity.

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The Panel considered the Designation Request and Initial Written Assessment for P468 . At their meeting on 7 February 2024 ([347/03⁹](#)). The Panel agreed to designate Low Carbon Contracts Company (LCCC) as the Proposer to raise P468 in accordance with [BSCP40 'Change Management'¹⁰](#) 3.14. The designation request can be found on the [P468 webpage¹¹](#). The Panel unanimously agreed that the Modification should be progressed to the Report Phase and it should be approved. This decision was made on the basis that the solution is fully developed and would not benefit from a Workgroup assessment.

Clarifications on ESP Scheme

Noting that a representative from the Department of Business and Trade was in attendance, a Panel Member queried whether they had considered an alternative approach whereby EEs could be made exempt from specific network charges. The representative clarified that this option had been explored, but that various technical and deliverability issues prevented them from effectively modifying the network charging regime to achieve the desired result.

Elxon clarified that, following implementation of P468, the next step would be to commence a data gathering exercise and creation of a portal whereby EII can submit their network charging data to enable compensation, but that there would be an inherent lag between EIIs incurring those costs and then receiving compensation but that, under the structure, EIIs can at least be guaranteed a regularity of payments moving forward as an enduring rebate mechanism. Elxon also clarified that it would undertake responsibilities for both the levy and compensation elements of the eventual ESP Scheme.

Elxon also clarified that the administrative costs to Elxon for running the ESP Scheme would be recovered via the total Scheme amounts (such that it could be considered as self-funding) and that BSC Parties wouldn't directly bear the administration costs.

Finally, the DBT representative also clarified that they are aware of a limited number of cases of EIIs on private wire networks, and that access to the ESP Scheme would require interested parties to present suitable evidence that they are incurring relevant costs.

Self-Governance Rationale

The Panel agreed with Elxon and the Proposer that the solution does not meet the Self-Governance Criteria as the Modification, if implemented, is expected to impact (b) (i) of the Self-Governance Criteria as it would facilitate government policy that offers material savings for EII consumers.

⁹ <https://www.elxon.co.uk/meeting/bsc-panel-347/>

¹⁰ <https://bscdocs.elxon.co.uk/bsc-procedures/bscp-40-change-management>

¹¹ <https://www.elxon.co.uk/mod-proposal/p468/>

7 Report Phase Consultation Responses

This section summarises the responses to the Panel's Report Phase Consultation on its initial recommendations. You can find the full responses in Attachment C.

The P468 Report Phase Consultation was issued on 12 February 2024. The responses were due on 26 February 2024. One response was received to the Consultation, from a Supplier.

Summary of P468 Report Phase Consultation Responses

Question	Yes	No	Neutral/ No Comment	Other
Do you agree with the Panel's initial unanimous recommendation that P468 should be approved?	1	-	-	-
Do you agree with the Panel that the redlined changes to the BSC deliver the intent of P468?	1	-	-	-
Do you agree with the Panel's recommended Implementation Date?	1	-	-	-
Do you agree with the Panel's initial view that P468 does not impact the EBGL Article 18 terms and conditions related to balancing held within the BSC?	1	-	-	-
Do you agree with the Panel's initial view that P468 should not be treated as a Self-Governance Modification?	1	-	-	-
Do you agree with the identified consumer benefits?	1	-	-	-
Do you have any further comments on P468?	-	1	-	-

Summary of P468 Report Phase Consultation Responses

Question	High	Medium	Low	None
How much will it cost your organisation to implement P468?	-	-	1	-
Will P468 impact your organisation?	-	-	1	-
What will the ongoing cost of P468 be to your organisation?	-	-	1	-

This respondent agreed with the proposed solution of P468, agreeing with the redlining, implementation date and Panel's initial recommendation to the Authority that P468 should be approved. The respondent also noted low costs and impacts to their organisation as a result of implementing P468, but did not give any further detail.

We invite the Panel to:

- **AGREE** that P468 **DOES** better facilitate Applicable BSC Objective (d);
- **AGREE** that P468 **should not** be treated as a Self-Governance Modification Proposal;
- **AGREE** that P468 **DOES NOT** impact the EBGL Article 18 terms and conditions held within the BSC;
- **AGREE** a recommendation to the Authority that the P468 should be **approved**;
- **APPROVE** an Implementation Date of:
 - 5 Working Days after Authority Decision;
- **APPROVE** the draft Legal Text; and
- **APPROVE** the P468 Modification Report.