

Modification proposal:	Balancing and Settlement Code (BSC) P461: 'Accurate Reporting of Customers Delivered Volumes to Suppliers' (P461)		
Decision:	The Authority ¹ has decided to reject this modification proposal ²		
Target audience:	National Grid Electricity System Operator (NGESO), Parties to the BSC, the BSC Panel and other interested parties		
Date of publication:	16 August 2024	Implementation date:	N/A

Background

BSC modification P344 'Wider Access & Project TERRE', introduced arrangements for customers and generators to participate in the Balancing Mechanism (BM) through an independent aggregator (a Virtual Lead Party or VLP) independently of their electricity Supplier.³ When they do this, the Supplier's Imbalance Volume is adjusted to remove the effect of any Bid Offer Acceptance (BOAs), ie imbalances caused by VLP actions.

Currently, in the process described above, the data reported to the Supplier is the unadjusted Delivered Volumes reported to the Supplier Volume Allocation Agent (SVAA) by the VLP and does not reflect any adjustments made to that data in Settlement.

The issue stated in the P461 Final Modification Report (FMR) is that the Delivered Volumes reported to the Supplier are frequently inconsistent with the adjustments made to the Supplier's Imbalance Volume in Settlement.

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 <https://www.ofgem.gov.uk/publications/p344-project-terre-implementation-gb-market-arrangements>

The modification proposal

P461 was raised by EPG Energy, formally EnDCo, (the Proposer) on 5 October 2023, and seeks to address the above issues by amending the values reported to Suppliers.

The Initial FMR

The initial FMR for P461 was submitted to us for decision on 25 January 2024.⁴ The proposed solution was the introduction of a formula which incorporates any adjustments made to the data by the Settlement Administration Agent (SAA) into the values reported to Suppliers.⁵ The initial FMR suggested this modification would have a positive impact on BSC objective (c) as the current arrangements impact the Proposer's ability to be competitive, by introducing costs into the process in order to mitigate the negative impacts of the inaccurate data.

On Ofgem's review of the initial FMR, we considered that the proposal as presented was ultimately unclear on the scope and scale of the problem which P461 seeks to address, as well as the impacts which the problem is currently having on Suppliers, customers, and other industry parties. It was also unclear to us how P461 would interact with other inflight modifications, such as P444⁶ which is currently in a send back process and P415⁷ which is being implemented in November 2024. We issued a Send back Direction to the BSC Panel on 8 May 2024.⁸

The Send Back Direction stated that the following information was required for us to make a decision:

- Additional information on the justification for this code modification, including how customers, Suppliers and other relevant industry parties are negatively impacted by the current process.

⁴ [P461 Accurate Reporting of Customers Delivered Volumes to Suppliers - Elexon BSC](#)

⁵ These values are exchanged between the SVAA and Suppliers via the P0287 dataflow which reports values calculated from delivered volumes and other adjustments during the main calculation to determine the BM Unit position.

⁶ <https://www.elexon.co.uk/mod-proposal/p444/>

⁷ [P415 Facilitating access to wholesale markets for flexibility dispatched by Virtual Lead Parties - Elexon BSC](#)

⁸ [Authority decision to 'send back' Balancing and Settlement Code modification proposal P461' Accurate Reporting of Customers Delivered Volumes to Suppliers' \(ofgem.gov.uk\)](#)

- Clear evidence on the impact and benefits of the proposed solution on customers, Suppliers, and other relevant industry parties, including an assessment of any differences in the impact on both domestic and non-domestic customers.
- Additional evidence of how the implementation of this modification would positively and/or negatively impact the applicable BSC Objectives.
- Explanation of the interactions with other relevant inflight code modifications, including P444 as referenced in the initial FMR, and impacts on the use cases for P461.
- Resolution of the misalignment of legal texts between P415 and P461 by re-baselining the legal text in the send back process.

The Revised FMR

On 18 June 2024 Ofgem received a revised FMR for decision.⁹ In the revised FMR the Proposer also reasoned that P461 would have a positive impact on BSC objective (d) as P461 corrects an error in the current data reportage and seeks to provide accurate data for Suppliers that pass-through costs/benefits.

The revised FMR highlights two issues caused by interactions with Code Modification P415: 'Facilitating access to wholesale markets for flexibility dispatched by Virtual Lead Parties'. Firstly, misalignment of the P461 and P415 legal texts, meaning the issue raised in P461 would occur in the wholesale market with the introduction of P415. The second issue found that due to the P0287 data flow reporting data for both the BM and the wholesale market, coupled with a lack of a compensation method in the BM, Suppliers who seeks to pass through imbalance charges to customers would not be able to tell which volumes are eligible for compensation under P415.

In the revised FMR, Elexon notes the potential that the issue this modification seeks to resolve could impact more Suppliers with the introduction of P415. They also stated that the scale of this issue depends on how many Suppliers have similar non-traditional business models, and the volume of VLP actions. In turn the impact on Suppliers and customers depends on the

⁹ [P461 Accurate Reporting of Customers Delivered Volumes to Suppliers - Elexon BSC](#)

contractual terms agreed between them. The revised FMR does not provide further information on this.

BSC Panel¹⁰ recommendation

On 13 June 2024, upon their review of the revised FMR, the BSC Panel considered that the work needed to align the P461 legal text with P415 may constitute substantial revisions to the proposed solution. The Panel was concerned this would be in contravention with Section F2.7A¹¹ which states that “a Proposer shall have no right to withdraw or vary their Modification Proposal during the Send Back Process” and therefore, recommended Ofgem reject the modification.

Our decision

We have considered the issues raised in the initial FMR and the revised FMR.¹² We have considered and taken into account the responses to the industry consultation on the modification proposal which are attached to the FMR. We have concluded that implementation of the modification proposal will not better facilitate the achievement of the applicable objectives of the BSC.¹³ Therefore, we have decided to reject this code modification.

Reasons for our decision

Following Elexon’s response to our Send Back Direction, we are not satisfied that sufficient information has been provided to address the points raised in our send back, particularly concerning the scale and impact of the issue and the proposed solution on Suppliers, customers, and other industry parties. As the impacts of this modification are still unclear, we

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](#) available.

¹¹ [BSC Section F: Modification Procedures - Elexon Digital BSC](#)

¹² BSC modification proposals, modification reports and representations can be viewed on the Elexon website at www.elexon.co.uk

¹³ As set out in Standard Condition C3(3) of the Electricity Transmission Licence, available at: <https://www.ofgem.gov.uk/energy-policy-and-regulation/industry-licensing/licences-and-licence-conditions>

consider there may be unknown risks to customers and other industry parties in implementation if we were to approve P461.

We acknowledge the Panel's concern around contravention of Section F2.7A. Aside from this, even after the Send Back Direction, as we have noted and as discussed further below, there are substantive reasons for not approving the proposal such that rejection now is the appropriate decision.

Assessment against applicable BSC objectives

We consider this modification proposal would not better facilitate BSC objectives (c) and (d). The P461 solution as currently presented would only be a partial solution to the issue identified in the FMR, and there is indication that it could create further issues elsewhere in the market.

(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

The initial FMR and revised FMR state that the modification would better facilitate this objective. The Proposer believes that P461 will enhance competition in the electricity market by providing Suppliers with more accurate information on customer actions through VLPs, enabling cost-reflective and consistent charging according to contractual terms. The current status quo impacts Suppliers with a specific business models' ability to be competitive, by introducing costs into the process of settlement in order to negate the negative impacts of the inaccurate data that is received.

In our view, while the proposal could enhance competition in the BM by making the P0287 data flow more accurate, P461 only presents a partial solution as it only applies to the BM. As the P0287 data flow reports for both the BM and the wholesale market, with the introduction of P415, the data inaccuracies that P461 seeks to resolve would carry over into the wholesale market. Therefore, P461 would not promote effective competition in other markets. Further, we are concerned that, due to misalignment of the legal texts between P461 and P415 and the

impact of P461 only being implemented in the BM, the implementation of P461 could cause issues for competition in other markets.

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

Although not originally argued in the initial FMR, the Proposer reasoned in the revised FMR that P461 has a positive impact on BSC Objective (d). They contended that P461 corrects an error in the current data reporting and seeks to provide accurate data for Suppliers that pass-through costs/benefits.

We consider that the proposed solution could promote efficiency in the implementation and administration of the balancing and settlement arrangements in the BM but could create inefficiencies in other markets. We are concerned that, as detailed further below, this solution could create issues for Suppliers with this specific business model in the wholesale market with the implementation of the compensation mechanism being introduced via P415, thereby creating inefficiencies in other markets. Further, as stated in the initial FMR and the revised FMR, this issue in the BM could potentially be resolved by the introduction of P444 (if approved), negating the use case for this modification.

Impact on other industry parties

One of the two use cases in the initial FMR stated:

“Passing on other costs or charges to customers, i.e. some Power Purchase Agreements (PPAs) may require generators to forecast their output, with any deviations from the forecast being settled at the Imbalance Price. The Supplier will need to take any Delivered Volumes into account to avoid unfairly penalising the generator for delivering Bid Offer Acceptances.”

In our Send Back Direction, we asked for additional information on how other relevant industry parties are negatively impacted by the current process and evidence on the impact and benefits of the proposed solution. However, no additional information has been provided in the revised FMR on how the parties mentioned in this initial use case, such as generators,

are impacted by the issue and proposed solution set out in this code modification. Therefore, we are unable to effectively assess the impact of this code modification proposal on this use case.

Interactions with other code modifications

In the send back process, interactions with other code modifications were identified, in particular interactions with P415. Further, the revised FMR notes that the issues P461 seeks to resolve may be resolved in a separate ongoing code modification, P444. In an accompanying document which was submitted alongside the revised FMR, Elexon identified two issues caused by interactions with P415:

1. "The P461 legal text was drafted against a baseline that did not include Code Modification P415, and therefore the drafting does not allow for the possibility of Trading Secondary BM Units delivering volumes for sale in the wholesale market (or Imbalance market). As a result, the legal text (as currently drafted) would have the unintended consequence of preventing these Delivered Volumes from being reported to Suppliers on the P0287 data flow.
2. P461 (once aligned with P415 as described above) will ensure that (subject to customers consenting to disclosure of their data) the P0287 data flow provides Suppliers with the data required to allocate Imbalance adjustments (and/or Imbalance Charges more generally) to the customers causing them. However, it will not provide Suppliers with the information needed to allocate the Daily Supplier Compensation Cashflow (introduced by P415) to customers."

Regarding the first point, the proposed solution in the revised FMR would only amend the issue P461 set out in the BM. This means this issue of inaccuracies in the data reported to Suppliers would carry over into the wholesale market with the introduction of P415 later this year if the legal texts were not aligned.

Regarding the second point, the implication is that when the Supplier who seeks to pass through charges to customers is imbalanced as a result of VLP actions in the wholesale

market, the Supplier would not know if the VLP acted for the customer in the wholesale market or in the BM given the P0287 data flow provides Suppliers with data from both markets. Therefore, they would be unable to allocate the correct compensation via the compensation method in P415 creating inefficiencies in the market. Even if the legal texts were aligned this issue would persist as there is no current compensation method in the BM. Elexon have acknowledged that this could be resolved by P444 (if approved).

Scale and impact

We consider that the revised FMR did not provide sufficient additional evidence on the scale or impact this code modification would have on Suppliers, customers, and other industry parties. If this modification were evidenced to have a clear positive impact, then we may have considered there to be grounds for another send back. The current evidence we have suggests that the benefits of this modification, for the first use case set out in the FMR, impact a small portion of the market and the proposed solutions could have inconsistent impacts on the markets. However, due to the lack of additional evidence, we are unable to effectively assess the impact of this modification.

Decision Notice

In accordance with Standard Condition C3 of the Transmission Licence, the Authority has decided that modification proposal BSC P461: 'Accurate Reporting of Customers Delivered Volumes to Suppliers' should not be made.

Fiona Campbell

Head of DSO Governance & Flexibility Strategy – Energy Systems Management & Security

Signed on behalf of the Authority and authorised for that purpose