

Modification proposal:	Balancing and Settlement Code (BSC) P473: Correcting inconsistencies in the P415 Legal Text (P473)		
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:	17 September 2024	Implementation date:	07 November 2024

Background

On 06 October 2023, Ofgem approved BSC code modification P415: 'Facilitating access to Wholesale Markets for flexibility dispatched by Virtual Lead Parties (VLPs)'.³ P415 aimed to facilitate access to wholesale electricity markets for flexibility dispatched by independent aggregators, along with compensation for suppliers who have been affected by VLP activity. P415 will be implemented on 7 November 2024.

Following Ofgem's approval of P415, Elexon received industry feedback, as well as internal feedback whilst working with service providers designing the system changes required to implement P415, regarding the legal text changes for P415. This feedback highlighted various inconsistencies and errors in the legal text for P415, some of which does not correctly implement the intended solution for P415.

The modification proposal

The BSC Panel raised P473: 'Correcting inconsistencies in the P415 Legal Text' (the Proposal) on 09 May 2024 on the recommendation of Elexon. The Proposal intends to correct errors and inconsistencies in eight sections of the P415 legal text. It aims to ensure that the P415 legal

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 [Ofgem decision P415 'Facilitating Access to Wholesale Markets for Flexibility Dispatched by VLPs'](#)

text accurately represents the intended P415 solution, as well as applying some housekeeping fixes.

The BSC Panel did not consider that the Proposal meets the Self-Governance criteria⁴ as the Proposal requires changes to sections of the BSC that forms part of the European Electricity Balancing Guideline (EBGL) Article 18 Terms and Conditions.

The proposed solution includes the following corrective changes:

Section K: correcting an inconsistency with Deviation Volume⁵ not reflecting MWh.

Section N: adding “daily” to the new cashflow names.

Section P: amending an incorrect change suggesting Metered Volume Reallocation Notification Agents⁶ can be comprised of Trading Secondary Balancing Mechanism Units (BMU).

Section S: adds references to ‘Virtual Trading’ and removes a requirement for Virtual Trading Parties to send forecast Deviation Volumes to NGESO.

Section S-2: correcting “Wholesale Market Activation Notice” to “Wholesale Market Activity Notification” and correcting the algebraic term that was missing a letter to BMUGDV_{ij}.

Section T: adding the two new trading charges described in section N, applying a cap of 0 and 1 to the calculation in 4.3C.1, correcting the calculation in 4.6.2A to only assign the Wholesale Market proportion of the Deviation Volume to the Virtual Trading Party’s Energy Account, adding in the Legal Text for calculating Supplier Compensation Cashflow in 4.11.7 and 4.11.8, and correcting other naming and subscript inconsistencies.

Section X-1: aligning the definition of “Virtual Lead Party”.

Section X-2: updating to reflect the changes specified above.

Without these changes, the legal text as currently approved under P415 would be implemented. This would result in cashflows being incorrectly calculated and could cause parties to either pay or receive incorrect amounts. Additionally, the inconsistencies and errors in the legal text for P415 may cause confusion regarding how it should be implemented.

⁴ [BSC Self-Governance Guidance](#)

⁵ Deviation Volumes represent the difference between what is forecast to be consumed or generated and what was actually consumed or generated, where the difference can be attributed to VLP action.

⁶ Metered Volume Reallocation Notification Agents reallocate energy volumes between different Energy Accounts.

BSC Panel⁷ recommendation

At the BSC Panel meeting on 11 July 2024, the BSC Panel (the Panel) unanimously considered that P473 would better facilitate BSC objective (d) and the Panel therefore recommended its approval.

EBGL Article 18 terms and conditions

P473 requires changes to sections in the BSC which forms part of the EBGL Article 18 terms and conditions. Furthermore, we agree with the Panel that this Proposal does not have a direct or material impact on the EBGL Article 18 terms and conditions and is therefore neutral and consistent against the EBGL objectives.

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 16 July 2024. We have considered and taken into account the responses to the industry consultation(s) which are attached to the FMR⁸. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the BSC;⁹ and
- directing that the modification be made is consistent with our principal objective and statutory duties.¹⁰

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.

⁷ 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](#).

⁸ BSC modification proposals, modification reports and representations can be viewed on the [Elexon website](#).

⁹ As set out in [Standard Condition C3\(3\) of the Electricity Transmission Licence](#).

¹⁰ 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.

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

The Panel consider this proposal is positive against BSC Objective (d). The legal text approved for P415 does not correctly reflect the intention of P415, and this Proposal would facilitate an efficient method of implementing the intended P415 changes into the BSC. Without this Proposal, Elexon would modify their system build to comply with the P415 legal text, which would then need to be corrected after P415 is implemented. The Panel were of the view that correcting any errors before P415 is implemented is a more efficient approach and would minimise cost and disruption to the industry.

We agree with the Panel that implementing the changes proposed in P473 will achieve efficiency in the implementation and administration of the balancing and settlement arrangements. The P415 legal text contains errors and inconsistencies, which could cause confusion to market participants regarding the implementation of P415. It could also create inefficiencies where stakeholders are trying to follow legal text which is not correct. In some cases, calculations are incorrect or missing, which could cause problems with the efficient administration of the balancing and settlement arrangements as parties could pay/receive incorrect amounts. We consider that P473 will correct and clarify the legal text to ensure it reflects the intentions of the P415 decision. We therefore consider that the Proposal will better facilitate BSC Objective (d).

P473 FMR & legal text

We note that there were some minor errors and inconsistencies in the FMR and legal text for P473 submitted to Ofgem for decision. In relation to some changes specified in Section S, this includes:

- Redlining that incorrectly attributes P473 changes to P415 in paragraphs 1.2.2(e), 4.1.1(k), and 10.1A.1. Elexon have confirmed that these are P473 changes but the legal text document incorrectly shows them as P415 redlining.
- A change to redlining in paragraph 10.1A.4, which was previously identified as a P473 change but is now redlined as a housekeeping change. Elexon have confirmed this

should be a housekeeping change as it was pointing to a reference that does not exist, and is neither a P415 nor a P473 change.

- The FMR is inconsistent with the legal text where it describes the changes made to the legal text in paragraph 1.2.2(e). Elexon have confirmed that the legal text is correct.
- The FMR describes inclusion of "Virtual Trading Party" at paragraphs 10.2A.1(b) and (d), however these changes are not reflected in the legal text. Elexon have confirmed that the legal text is correct and these sections should not include reference to "Virtual Trading Party".

We are satisfied with Elexon's explanation of the above. The inconsistencies and errors are not material and do not inhibit our ability to make a decision that P473 be implemented. However we would expect Elexon to follow due process and submit correct documents to us for decision in the future.

Decision notice

In accordance with Standard Condition C3 of the Transmission Licence, the Authority hereby directs that modification proposal BSC P473: 'Correcting inconsistencies in the P415 Legal Text' be made.

Maryam Khan

Head of Electricity Security and Market Management – Energy Systems Management and Security

Signed on behalf of the Authority and authorised for that purpose