
Balancing and Settlement Code (BSC) Balancing and Settlement Code (BSC) P466 'BSC Section N Modernisation' (P466)

Decision	The Authority ¹ directs that this modification be made ²
Target audience	National Energy System Operator (NESO), Parties to the BSC, the BSC Panel and other interested parties
Date of publication:	6 December 2024
Implementation date:	Ten working days following date of Authority approval

Background

BSC Section N 'Clearing, Invoicing & Payment'³ was written over two decades ago and includes sections that are now either redundant or out of step with modern practices, including those relating to invoicing and banking. These out-of-date sections place constraints on key processes and may prevent efficiencies being realised.

The Funds Administration Agent (FAA) is a service responsible for effecting the transfer of funds related to balancing and settlement and is needed to facilitate important activities such as the Balancing Mechanism and imbalance settlement. The FAA systems are currently being rebuilt using a cloud infrastructure approach to increase efficiency and enable better integration with BSC finance systems. A review of BSC Section N was undertaken⁴ to establish if any code changes were needed to enable updates to the FAA service.

The modification proposal

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 [BSC Section N: Clearing, Invoicing & Payment - Elexon Digital BSC](#)

⁴ [Issue 107 Review of BSC Section N - Elexon BSC](#)

This modification proposal, 'BSC Section N Modernisation' seeks to update Section N 'Clearing Invoicing and Payment' of the BSC to support the effective running of the FAA. The modification will align the BSC with Elexon's updated financial systems and modern banking practices. It is expected that this will improve the efficiency of the service provided to industry.

The proposal makes changes to the documents provided by Elexon that detail user charges. In particular, the existing FAA Advice Notes produced will be replaced by new Invoices, with these Invoices including tax invoicing information previously provided via FAA Confirmation Notes. Several separate backing sheets detailing specific charges will be consolidated into a single document, and will no longer be provided by email, but instead made available from the Elexon Portal. To make these changes, the proposal will amend BSC Code sections H, N, U, V, and X-1.

BSC Panel⁵ recommendation

At the BSC Panel meeting on 14 March 2024, the BSC Panel (the Panel) unanimously considered that BSC P466 would better facilitate the BSC objectives, and the Panel therefore recommended its approval. In making its recommendation to Ofgem, the Panel considers that P466 better facilitates BSC Objective (d) on efficiency grounds in the administration of the BSC arrangements.

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 15 March 2024. We have considered and taken into account the responses to the industry consultation(s) which are attached to the FMR⁶.

We have concluded that:

⁵ The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC and Condition E1 of the Electricity System Operator Licence.

⁶ [P466 BSC Section N Modernisation - Elexon BSC](#)

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the BSC;⁷ and
- directing that the modification be made is consistent with our principal objective and statutory duties.

Reasons for our decision

We consider this modification proposal will better facilitate BSC objective (d) with it having a neutral impact on the remaining code objectives.

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

We agree with the Panel that BSC objective (d) is better facilitated by P466 in terms of efficiency in implementing the BSC's administrative arrangements by removing duplication and modernising Section N and its associated processes. We think it is reasonable that updating invoicing and banking practices with modern processes will bring about efficiencies. We agree it is in consumers interests for appropriate modernisation to be facilitated and not constrained by outdated industry code text. For this reason, we consider P466 to positively impact BSC objective (d) in promoting efficiency in the implementation and administration of the BSC.

EBGL

In addition, in accordance with Article 18 of the Commission Regulation (EU) 2017/2195 establishing a guideline on electricity balancing, as amended by the Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019 (the EBGL Regulation),⁸ NESO was required to develop a proposal regarding the terms and conditions (T&Cs) for balancing service providers (BSPs) and balance responsible parties (BRPs). On 8

⁷ As set out in Condition E1 of the Electricity System Operator Licence.

⁸ The UK SI amendment of the EBGL Regulation is accessible at:
https://assets.publishing.service.gov.uk/media/5c17d6b440f0b60c8d601a2c/ENC_Markets_and_Trading_SI.pdf

October 2019,⁹ we published our decision to confirm, upon satisfaction of certain conditions, that the T&Cs proposed by NESO are the T&Cs required by Article 18 of the EBGL Regulation. On 25 June 2020, all the necessary conditions were met, and the proposed T&Cs came into force in Great Britain. We note that the proposed legal text changes for BSC modification P466 include changes which affect the T&Cs.

We note and agree with Panel's assessment that while P466 impacts the regulated provisions of the BSC relating to EBGL Article 18¹⁰ terms and conditions, the impact is neutral and does not require our specific consent currently.

Implementation Date

In the FMR submitted to us on 15 March 2024, the original proposed Implementation Date was 7 November 2024 if our decision was issued on or before 9 September 2024.

Elxon subsequently contacted us to request a revision to the proposed Implementation Date. Elxon explained that the 7 November 2024 Implementation Date would risk delivery of BSC modification P415 (scheduled for implementation in the November 2024 Release) and the Helix project (part of Market-wide Half-Hourly Settlement scheduled for implementation on 7 March 2025).

Under BSC Section F2.11.18, we directed the BSC Panel to consult on a revised proposed Implementation Date. On 13 June 2024 the BSC Panel agreed the revised proposed Implementation Date of ten working days after Authority decision, provided that the Authority's decision is issued on or before 24 October 2024.

However, a second revision to the Implementation Date was requested by Elxon on 9 July 2024. Elxon explained that a further change was required to provide more contingency to avoid any further revisions to the Implementation Date, given the volume and complexity of

⁹ [Decision on the Transmission System Operators' proposal for the Terms and Conditions related to Balancing | Ofgem](#)

¹⁰ [Decision on Dynamic Regulation in relation to the Terms and Conditions related to Balancing | Ofgem](#)

changes it is managing. We therefore directed the BSC Panel to consult for a second time on a further revised proposed Implementation Date.

On 10 October 2024, the BSC Panel recommended a revised proposed Implementation Date as follows:

- Provided Authority approval and Elexon's requisite notice have been issued on or before 17 October 2025, the Implementation Date shall be 10 Working Days from the later of such approval or notice; or
- 6 November 2025 as part of the Standard November 2025 BSC Release if Authority approval is issued after 17 October 2025 but on or before 23 October 2025.

In accordance with BSC Section F2.11.20, we have decided to accept the BSC Panel's recommendation on the revised proposed Implementation Date.

Decision Notice

In accordance with Condition E1 of the Electricity System Operator Licence, the Authority hereby directs that modification proposal BSC P466: 'BSC Section N Modernisation' be made.

Andrew Malley

Head of Distribution and Residual Charging

Signed on behalf of the Authority and authorised for that purpose