

Sara Vaughan
BSC Panel Chair
Elexon
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Email: maryam.khan@ofgem.gov.uk

Date: 25 March 2025

Dear Sara,

Balancing and Settlement Code (BSC) modification proposal P485 'Stabilise the Transmission Loss Factor (TLF) for BSC Year 2025/26 at 2024/25 levels' – decision on urgency

On 19 March 2025, Scottish Power (the 'Proposer') raised BSC modification proposal P485.¹ Following the urgent BSC Panel meeting, we² received a request from the BSC Panel that P485 be treated as an urgent modification proposal.

This letter sets out our decision that P485 should be progressed on an urgent basis.

Background

Transmission loss factors (TLFs) were introduced in 2018 as part of BSC modification P350 'Introduction of a seasonal Zonal Transmission Losses scheme'.³ The TLFs feed into the calculation of the transmission loss multipliers, which apply to the Balancing Services Use of System charges.

¹ [P485 Stabilise TLFs for BSC Year 2025/26 at 2024/25 levels - Elexon BSC](#)

² 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.

³ [P350: Zonal Transmission Losses - Elexon BSC](#)

The 2025-26 TLF values were published in December 2024. Compared to 2024-25, the TLF value calculated for 2025-26 is significantly different in the north and south Scotland zones, particularly in the winter season. P485 aims to freeze the application of the TLFs calculated by the TLF Agent for BSC year 2025-26, holding the TLF values at the 2024-25 level. The freeze proposed would leave TLFs unchanged from the 2024-25 values, while a thorough investigation on the reasons behind the changes between the two BSC years is conducted.

Once the investigation is concluded and the 2025-26 TLFs confirmed, the standard 14-month BSC reconciliation process would be used to reconcile the settlements from 1 April 2025 calculated using the TLFs from 2024-25 with the settlements as recalculated using the confirmed 2025-26 TLFs.

According to the Proposer, P485 should be considered urgently because of the commercial impact on parties from 1 April 2025. The Proposer also stated that progressing the proposal as urgent would provide generators with greater confidence in the financial aspects of new renewable generation projects in preparation for the Allocation Round 7 of the government's Contract for Difference (CfD) auctions, expected later this year.

Panel's view

At the BSC Panel meeting on 19 March 2025, the Panel unanimously agreed to recommend to Ofgem that P485 should be progressed as an urgent modification proposal.

Our decision

In reaching our decision on the urgency of P485 we have considered the details within the proposal, the justification for urgency and the views of the BSC Panel. We have also assessed the request against the urgency criteria set out in our published guidance.⁴

Our guidance sets out that an urgent modification should be linked to an imminent issue or a current issue that, if not urgently addressed, may cause:

- a significant commercial impact on parties, consumers or other stakeholder(s);
or
- a significant impact on the safety and security of the electricity or gas systems;
or
- a party to be in breach of any relevant legal requirements.

⁴ <https://www.ofgem.gov.uk/publications-and-updates/ofgem-guidance-code-modification-urgency-criteria-0>

We agree that the issue raised by the Proposer is current, has an imminent implementation date and, if not urgently addressed, may cause a significant impact on parties.

Our decision is finely balanced. We note that the Proposer and any other parties affected by the issue had first visibility of the TLF calculations for 2025-26 in December 2024. This suggests that the issue could have been raised sooner as a modification proposal, without the need for it to be processed as urgent.

However, we acknowledge that the Proposer has taken steps to investigate and resolve this issue, and note that an investigation into the TLF values has commenced but not yet concluded. We accept that this may have a significant commercial impact on generators based in Scotland. An urgent timeline would facilitate amendments to TLF values for the 2025-26 BSC year.

Treating this modification proposal as urgent would also provide greater clarity to investors, particularly for the Allocation Round 7 of the CfD auctions.

On balance, we considered that this met the urgency criteria set out in our published guidance. We therefore consent to this BSC modification proposal being treated as urgent.

Following engagement with Elexon, we agree the modification should follow the urgent timetable set out below:

Process	Date
Ofgem decision on urgency	25 March 2025
Consultation commences	26 March 2025
Consultation close-out for representations	28 March 2025
Modification Report available for Panel	31 March 2025
Final Modification Report submitted to Ofgem	1 April 2025

Additional comments

We would expect the Panel’s Final Modification Report to provide quantitative evidence on the commercial impact of the 2025-26 TLF values, and we request further details on the timeline for concluding the investigation and confirming the TLF values for 2025-26 under the proposed solution.

Lastly, we note that we have received a significant number of urgency requests over recent years, with many of these relating to one of our urgency criteria specifically: ‘imminent

issue or current issue that if not urgently addressed may cause a material commercial effect on parties’.

We reiterate our feedback in our recent open letter⁵ – that we expect to scrutinise this criterion further and apply it more strictly. This applies to urgency requests for BSC code modifications.

Moving forward, if there are concerns with the calculation of TLF values, we expect industry to raise these using non-urgent code modification timelines, so that the proposal receives careful industry consideration and can be resolved in advance of the BSC year commencing.

For the avoidance of doubt, in granting the request for urgency, we have made no assessment of the merits of the Proposal and nothing in this letter in any way fetters our discretion in respect of the Proposal.

If you have any comments or questions about this letter, please contact Riccardo Patrian at riccardo.patrian@ofgem.gov.uk.

Yours sincerely,

Maryam Khan

Head of Electricity Security and Market Management

Duly authorised on behalf of the Authority

⁵ [Open letter: Outlining our approach to prioritisation of electricity transmission networking charging modifications](#)