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## **Balancing and Settlement Code (BSC) P444: Compensation for Suppliers and Virtual Lead Parties for Virtual Lead Party actions in the Balancing Mechanism (BM) (P444)**

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Decision	The Authority <sup>1</sup> directs that this modification be made <sup>2</sup>
Target audience	National Energy System Operator (NESO), Parties to the BSC, the BSC Panel and other interested parties
Date of publication:	4 April 2025
Implementation date:	6 November 2025

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### **Background**

P444 is a proposed modification to the Balancing and Settlement Code (BSC) that seeks to introduce compensation for suppliers and Virtual Lead Parties (VLPs) who have been affected by VLP activity in the Balancing Mechanism (BM).

A VLP is an independent aggregator that controls (potentially on behalf of a third party) power generation and/or electricity demand from a range of assets for the purposes of selling Balancing Services to National Energy System Operator (NESO).

In 2019, BSC Modification P344: 'Project TERRE implementation into GB market arrangements' (P344)<sup>3</sup> created the concept of VLPs to allow independent aggregators access to the BM. P344 did not propose a mechanism for compensation. As a result, suppliers could be commercially impacted by VLP activity in the BM and left with a cost that they cannot recover through the existing arrangements.

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<sup>1</sup> 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.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> <https://www.ofgem.gov.uk/decision/p344-project-terre-implementation-gb-market-arrangements>

P344 introduced a mechanism to adjust each supplier's imbalance position to remove any volume difference as a result of VLP action. While the volume of the action is removed from the supplier's imbalance position, the supplier's customer has still used more or less volume than the supplier has forecast. This means that the volume billed by the supplier to the customer does not match the volume for which the supplier is settled for imbalance. The P344 workgroup took the view that compensation for adjustments was a matter for the VLP and the supplier to resolve and did not explore how to deliver this as part of its solution.

In 2023, BSC Modification P415: 'Facilitating access to wholesale markets for flexibility dispatched by Virtual Lead Parties' (P415)<sup>4</sup> granted VLPs<sup>5</sup> access to the wholesale market and introduced mutualised compensation arrangements. We considered this better achieved BSC objectives (b) and (c) than the alternative option of direct compensation. We noted that this solution could lead to an uneven market between VLPs and suppliers in the wholesale market, but we considered this was mitigated by the increased levels of flexibility it is expected to deliver.

### **The modification proposal**

BSC P444: 'Compensation for Virtual Lead Party actions in the Balancing Mechanism' (P444) was raised by Flexitricity (the Proposer). The proposal seeks to introduce compensation for suppliers and VLPs who are currently left with a cost that they cannot recover because of VLP volumes sold in the BM. The proposal was raised on 1 September 2022 and initially came to us for a decision on 15 June 2023.

When P444 was first raised, the Proposer believed, and Elexon agreed, that it would be optimal to have P444 and P415 considered at the same time. While P444 aimed to use functionality developed for P415, the central argument for P444 was standalone as supplier compensation for BM transactions was thought to be needed regardless of the decision on P415. There were also different market arrangements in the wholesale market and the BM. In particular, VLPs already had access to the BM, which was not the case for the wholesale

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<sup>4</sup> <https://www.ofgem.gov.uk/decision/ofgem-decision-p415-facilitating-access-wholesale-markets-flexibility-dispatched-vlps>

<sup>5</sup> For the wholesale market, the concept of a Virtual Trading Party (VTP) was created for aggregators wishing to enter the market <https://www.elexon.co.uk/market-entry/becoming-virtual-trading-party/>

market at the time of P415. Therefore, as noted in the P444 revised Final Modification Report (FMR)<sup>6</sup>, the workgroup considers our decision on P444 to be independent of our decision on P415.

On 8 September 2023 we sent back<sup>7</sup> P444 because we were unable to form an opinion based on the FMR submitted. We requested further quantitative and qualitative evidence, to evaluate the impact on industry of implementing either compensation method against the status quo. We determined that we could not base our decision solely on the Cost-Benefit Analysis (CBA) for P415. We also asked how the implementation of this modification would positively and/or negatively impact the applicable BSC objectives. Following the Send Back process, Elexon resubmitted P444<sup>8</sup> to Ofgem on 11 October 2024. The modification is expected to predominantly impact VLPs, BSC parties (suppliers) and BSCCo (Elexon).

The Proposer considers that compensation is required to create a level playing field within the BM. A supplier's revenue is based on the volume of energy that it can sell to consumers. If a VLP reduces consumer demand, the supplier loses out as it cannot sell the energy which it has already purchased to the consumer. If a VLP increases consumer demand, the supplier benefits from selling extra energy to the consumer that it has not sourced. This modification proposes to introduce a compensation mechanism for suppliers and VLPs when a VLP has a bid or offer accepted in the BM.

The modification proposal presents two proposals for compensation.

1. Proposed Solution (mutualised compensation): Under this solution, compensation costs would be mutualised amongst all energy suppliers based on their market share. VLPs do not pay or receive compensation. For a demand turn down action, suppliers will receive compensation from the mutualisation fund. With a demand turn up action, suppliers will pay compensation into the mutualisation fund.

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<sup>6</sup> BSC modification proposals, modification reports and representations can be viewed on the Elexon website at <http://www.elexon.co.uk/>

<sup>7</sup> <https://www.ofgem.gov.uk/decision/authority-decision-send-back-bsc-modification-proposal-p444-compensation-virtual-lead-party-actions-balancing-mechanism>

<sup>8</sup> <https://www.elexon.co.uk/mod-proposal/p444/>

2. Alternative Solution (direct compensation): Under this solution, VLPs are responsible for paying/receiving compensation directly to/from the supplier, depending on their actions in the BM. For a demand turn down action, suppliers will receive compensation from the responsible VLP. With a demand turn up action, suppliers will pay compensation to the responsible VLP.

Compensation is paid at a price reflective of the average supplier sourcing costs and both solutions use Ofgem's published Price Cap Methodology (PCM)<sup>9</sup> to calculate this.

### **BSC Panel<sup>10</sup> recommendation**

At the BSC Panel meeting on 10 October 2024, the Panel unanimously agreed that the P444 Proposed Solution (mutualised compensation) better facilitates the BSC objective (b), and that the Alternative Solution (direct compensation) better facilitates the BSC objectives (b) and (c).

The panel unanimously agreed that the P444 Alternative Solution (direct compensation) is better than the status quo and the P444 Proposed Solution (mutualised compensation) and that the Alternative Solution (direct compensation) should be approved.

### **Our decision**

We have considered the issues raised by the modification proposal and the revised FMR dated 11 October 2024. We have considered and taken into account the responses to the industry consultations on the modification proposal which are attached to the FMR, as well as the BSC Panel's views and recommendation. We have concluded that:

- implementation of the Alternative Solution (direct compensation) will better facilitate the achievement of the applicable objectives of the BSC;<sup>11</sup> and
- directing that the modification be made is consistent with our principal objective and statutory duties.<sup>12</sup>

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<sup>9</sup> <https://www.ofgem.gov.uk/decision/price-cap-decision-changes-wholesale-methodology>

<sup>10</sup> 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.

<sup>11</sup> As set out in Condition E1 of the Electricity System Operator Licence.

<sup>12</sup> 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.

## **Reasons for our decision**

We consider that the Alternative Solution (direct compensation) will have a positive impact on BSC objectives (b) and (c) and have a neutral impact on BSC objective (d). This is due to the creation of a level playing field, encouraging economic and efficient actions in the BM, providing incentives to facilitate demand turn up actions, and adequately compensating suppliers and VLPs following VLP actions. Based on the evidence provided, we believe that the Alternative Solution (direct compensation) better facilitates the BSC objectives than the Proposed Solution (mutualised compensation) and the status quo.

We have made our assessment for this Proposal with reference to the Applicable Code Objectives that came into effect on 1 October 2024. As noted in our letter to Panel dated 06 March 2025, and having not received representations to the contrary, we consider that the modifications to the Applicable Code Objectives (which came into effect on 1 October 2024 upon the establishment of NESO) would not have materially impacted any assessment of objectives and subsequent analysis and voting undertaken by Panel.

## ***(b) the efficient, economic and coordinated operation of the National Electricity Transmission System***

### Proposed Solution (mutualised compensation)

The Proposer believes that the Proposed Solution better facilitates BSC objective (b). They believe that mutualised compensation will result in more efficient BM arrangements and greater participation in the BM. However, the majority of workgroup members believe that the Proposed Solution is neutral against BSC objective (b) as VLPs already have access to the BM under current market arrangements.

### Alternative Solution (direct compensation)

There were differing views expressed amongst the workgroup. Three members considered the Alternative Solution better facilitates BSC objective (b). The Proposer also preferred the Alternative Solution. Some of the workgroup members were of the view that in addition to more efficient BM arrangements and greater participation in the BM, costs are allocated more fairly, and P444 clarifies who is responsible for paying them. Other workgroup members

believed the Alternative Solution is negative against BSC objective (b) as it would impose an additional cost on VLPs, creating a barrier to entry and leading to less participation in the BM.

### Our View

We consider that the Alternative Solution (direct compensation) will have a positive impact on BSC objective (b). We consider that the Alternative Solution makes demand turn up actions commercially viable and facilitates VLP-led demand shifting actions. In addition, the Alternative Solution promotes efficient price formation and a level playing field between BSC parties. It could also reduce costs for consumers overall. This will result in a more efficient, economic and co-ordinated operation of the national electricity transmission system.

### Demand turn up

The importance of facilitating demand turn up came out of workgroup discussions following the P444 Send Back process and became a key consideration for P444. The pathway to Clean Power<sup>13</sup> requires increasing levels of flexibility, shifting demand away from peak periods, helping us to balance the challenges of increasingly intermittent supply, and alleviating constraints. Incentivising demand turn up provides NESO with more options to balance the grid, particularly during periods with excess renewable generation.

Our view is informed by the Use Case Analysis from the Send Back process, that demand turn up via VLPs is unlikely to occur under the current market arrangements or the Proposed Solution (mutualised compensation). We expect the VLP would need to pay the customer to increase their demand, because the customer would have to pay their supplier for the extra energy used. In order to pay the customer, the VLP would need to be paid (either via compensation or via a negative bid price).<sup>14</sup> Therefore this is only commercially viable for the customer and VLP during periods of negative pricing, which does not regularly occur in the BM under the current market arrangements.

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<sup>13</sup> <https://www.neso.energy/publications/clean-power-2030>

<sup>14</sup> Negative bid prices mean that NESO pays BM participants to reduce generation or increase demand. The more negative the bid, the larger the payment.

The Alternative Solution (direct compensation) makes demand turn up commercially viable because the VLP receives compensation from the supplier. The compensation allows the VLP to both incentivise the consumer to increase their usage, and to submit competitively priced bids in the BM. This gives the system operator more balancing options. This should result in more efficient and economic actions for NESO when operating the national electricity transmission system.

We note the concerns from a stakeholder that incentivising demand turn up risks encouraging consumers to waste energy. We consider that NESO will only accept a bid to increase demand if it provides value to the system (e.g. to maintain system balance) and it is cost-effective. The potential for deliverability benefits and cost savings from demand turn up are noted by NESO in their CP2030 report.<sup>15</sup>

#### Demand shifting

As the Alternative Solution (direct compensation) incentivises demand turn up actions, it also better enables VLP-led demand shifting. We consider that most domestic flexibility will likely involve demand shifting involving both turn down and turn up elements at different times.<sup>16</sup> If both elements of the demand shifting actions are incentivised, this allows VLPs to manage a consumer's demand more effectively (e.g. shifting an EV to charge at a specific time with lower demand). This benefits the system by reducing peaks in demand and moving it to fill periods of low demand. It also minimises impacts on suppliers for both sides of a demand shift action. We therefore agree that the Alternative Solution better facilitates BSC objective (b) by incentivising efficient and coordinated actions in the long-term (particularly as domestic flexibility increases). As the Proposed Solution (mutualised compensation) does not incentivise demand turn up or facilitate demand shifting beyond the current arrangements, we consider that the Alternative Solution better facilitates BSC objective (b).

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<sup>15</sup> <https://www.neso.energy/document/346651/download> (page 20)

<sup>16</sup> Currently only half hourly settled customers can participate, but we expect domestic flex to increase with market-wide half hourly settlement (MHHS). BSC Code Modification P483 'Allow Asset Metering Systems to be used in Settlement where the associated Boundary Point Metering System is Non-Half Hourly' is also considering this in advance of MHHS.

### Level playing field

We consider that the Alternative Solution (direct compensation) best results in a level playing field. This was a key objective of the proposals. Although both the Proposed (mutualised compensation) and Alternative Solutions ensure that suppliers receive compensation for VLP actions taken by another party, the difference is who pays the compensation. The Alternative Solution results in the cost and delivery risk being borne by the parties who created them.<sup>17</sup>

The Alternative Solution ensures that all market participants consider the sourcing cost of the energy being bought or sold, resulting in efficient actions. Under the status quo or Proposed Solution (mutualised compensation), VLPs would not need to consider the market cost of the energy that they are buying or selling to NESO. By requiring VLPs to pay/receive compensation to/from suppliers, as per direct compensation, the sourcing cost of the energy (e.g. bought by the supplier but sold by the VLP) is accounted for. Although direct compensation would increase costs for VLPs (in the instances of demand turn down), this puts VLPs on a level playing field with all other market participants who must consider similar costs for identical actions. This encourages efficient price formation behaviour, creating a level playing field between technologies.

We consider the Alternative Solution (direct compensation) promotes efficient, economic and co-ordinated behaviour and we therefore agree with the Proposer and the workgroup members that the Alternative Solution better facilitates BSC objective (b).

### Costs for consumers

We have considered the potential impact on balancing costs. The Alternative Solution (direct compensation) has the potential to make demand turn up bids cheaper, because the VLP will receive compensation from the supplier, which it can factor into its bid prices. This could provide NESO with more, cheaper bids to increase demand. Because NESO accepts bids and offers in merit order, an increase in cheaper bids available to NESO could potentially result in reduced costs to balance the system. On the other hand, we are aware that demand turn down offers may become more expensive under the Alternative Solution. This is because the

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<sup>17</sup> [Ofgem open letter on design of arrangements to support independent aggregators \(2017\)](#)



VLP will need to pay compensation to the supplier and factor this into their offer price. However, as NESO accepts bids and offers in merit order, this may not necessarily translate to more expensive balancing costs for consumers. NESO will still be able to choose from other, cheaper options to balance the system. On the whole, we see the opportunity for the Alternative Solution to potentially lead to lower costs for consumers, because demand turn up actions could lower balancing costs, while demand turn down actions may only have a limited impact on balancing costs. Overall, we therefore consider the Alternative Solution is positive against BSC objective (b).

We note that the absolute impact on cost to consumers is difficult to quantify due to the current low levels of VLP activity seen in the BM and the subsequent lack of data. We also note that following the Send Back Elexon was unable to undertake any quantitative analysis for P444, due to the high level of assumptions and caveats that the conclusions would be based on.

Although we cannot rely solely on the CBA carried out for P415, it does provide a view on the welfare benefits that could translate to the BM. Both the Proposed and Alternative Solutions showed a positive outcome for total welfare, but we note that the Alternative Solution showed higher consumer welfare in the long term because customers did not have to contribute to a mutualisation fund. We therefore think that the Alternative Solution better facilitates BSC objective (b) than the Proposed Solution and the status quo.

***(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***

Proposed Solution (mutualised compensation)

The Proposer considers that the Proposed Solution better facilitates BSC objective (c). They believe greater volumes of available capacity in the BM will lead to greater competitive pressure and will promote a level playing field for competition. The rest of the workgroup was split neutral/negative. Three members consider the solution to be neutral, on the basis that VLPs already have access to the BM and that there is no significant benefit of the Proposed

Solution over the status quo. The other three members consider the Proposed Solution to be detrimental to BSC objective (c) by impacting supply side competition by mutualising a risk that suppliers cannot manage. The cost of this risk is then placed onto suppliers, and ultimately consumers, to pay for competition. One of the three members did not support any form of supplier compensation, believing it would harm competition.

#### Alternative Solution (direct compensation)

The Proposer and the majority of the workgroup consider that the Alternative Solution better facilitates BSC objective (c). In addition to the arguments for the Proposed Solution, several additional members consider that by creating a more level playing field, the Alternative Solution better supports this objective than the Proposed Solution. A minority of the workgroup disagree and feel that the Alternative Solution is negative for BSC objective (c) as it creates a barrier to existing VLPs.

#### Our View

We consider that the Alternative Solution (direct compensation) will have a positive impact on BSC objective (c) and that it better promotes effective competition in the BM than the Proposed Solution (mutualised compensation) or the status quo. Providing a route to market for demand turn up and demand shifting actions could increase VLP participation overall. Additionally, as suppliers either pay or receive compensation only when they are directly impacted by a VLP action, no market participant has a competitive advantage or disadvantage in the BM. We therefore consider that the Alternative Solution better facilitates BSC objective (c).

#### VLP participation

We consider that the Alternative Solution (direct compensation) could increase VLP participation in the BM by providing a route to market for demand turn up and demand shifting actions. This is not incentivised under the Proposed Solution (mutualised compensation), the status quo or in the current wholesale market.

We also consider that direct compensation could minimise financial impacts on suppliers when a VLP takes an action on its customers. Direct compensation could therefore reduce the

financial incentive for suppliers to prevent their customers from engaging with a VLP. By reducing this risk, direct compensation could potentially increase VLP participation in the BM.

On the other hand, we are aware that the Alternative Solution could create a barrier to VLP entry by imposing additional costs on VLPs for demand turn down actions and consequently making their commercial proposition less attractive. This may reduce VLP participation in the BM for VLPs who focus solely on demand turn down actions. We note the suggestion from stakeholders that reduced VLP participation could impact energy security, although no evidence was provided to demonstrate this. However, in practice, the Stakeholder Engagement Interviews, provided as part of the P444 analysis report, highlighted that the majority of VLPs stated that they would participate more in the wholesale market than the BM, regardless of the decision on P444. This is because NESO dispatch in the BM is seen as uncertain and there are also several other barriers to VLP entry in the BM. Addressing these barriers is being explored but is beyond the scope of P444. As a result, some VLPs may choose to focus on the wholesale market – this is ultimately a commercial decision for the VLP based on their individual business model. We think there is overall benefit in catering to all potential VLP business models and providing a route to market for both demand turn-up and demand turn-down actions. We do not consider direct compensation will negatively impact energy security. We will be carefully monitoring how these arrangements work in practice.

Therefore, on balance, we consider that the Alternative Solution better facilitates BSC objective (c) than the Proposed Solution or the status quo. We consider that providing a route to market in the BM for demand turn up and reducing the financial incentive for contractual protections by suppliers could positively impact VLP participation in the BM. We consider that the incentive to move demand turn down actions to the wholesale market, although increased under the Alternative Solution, is also likely under the status quo and Proposed Solution. On balance, we therefore consider that the Alternative Solution could increase VLP participation compared to the status quo, resulting in greater volumes of flexibility in the BM and so would better facilitate BSC objective (c) by promoting effective competition.

### Impact on suppliers

Both the Proposed Solution (mutualised compensation) and Alternative Solution (direct compensation) ensure suppliers are compensated when a VLP takes an action on their customers. However, the Proposed Solution would result in all suppliers contributing to a mutualisation fund, based on market share, regardless of whether they are impacted by the actions of VLPs.

In comparison, the Alternative Solution has a lesser financial impact on suppliers because they do not need to contribute to a mutualisation fund. Instead, suppliers either pay or receive compensation only when they are directly impacted by that action. By not putting any party at a competitive advantage or disadvantage, we believe that the Alternative Solution promotes effective competition and therefore better facilitates BSC objective (c).

Although our decision is to approve a compensation mechanism for P444, we maintain the position that suppliers should generally not be indemnified from hedging losses. We consider that it is for suppliers to determine their own risk management strategies. Our decision to approve the Alternative Solution in this instance is to ensure that all market participants consider the cost of the energy being bought or sold, which we consider will result in economic and efficient actions. In the absence of compensation being paid to or from suppliers, VLPs will be able to submit bids and offers for energy which has not been sourced by the VLP. This has the potential to distort the market because VLPs would not need to consider the sourcing costs of the energy being bought or sold.

We note the concerns raised in the consultation that using Ofgem's Price Cap Methodology PCM to approximate the suppliers expected sourcing costs may not be truly reflective of costs for the non-domestic market. While there is no perfect methodology for estimating the supplier sourcing cost, we consider that using the price-cap methodology is a good proxy. We expect industry to continue to assess the effectiveness of this methodology and work with Elexon to develop a suitable alternative if necessary.

***(d) promoting efficiency in the implementation and administration of the Balancing and Settlement Arrangements***

Proposed and Alternative Solutions

The BSC panel and workgroup considered both the Proposed and Alternative Solutions to be neutral against BSC objective (d).

Our View

We consider that the Alternative Solution (direct compensation) will have a neutral impact on BSC objective (d) but have considered it in our decision-making framework. While we consider that aligning the compensation mechanism with the wholesale market would mean that market participants would not need to navigate two different compensation mechanisms, we also note that in the majority of Stakeholder Engagement Interviews provided as part of the P444 analysis report, respondents said it would cause little or no impact to have different compensation methodologies. We therefore consider that the Alternative Solution is neutral against BSC objective (d).

**Forward view**

To date, compensation mechanisms for VLP-led actions have largely been driven by industry-led code modifications, guided by the objectives set out in the relevant industry codes. These code modifications are defining the relationship between suppliers and VLPs and determining the cost allocation for flexibility.

While P415 and P444 have been treated as standalone decisions, including in the context of the relevant code objectives, we note that the approval of both will result in different compensation arrangements for the wholesale market and the BM. We have made our decisions based on the issues and analysis presented to us in the relevant final modification reports, while also taking into account other relevant considerations. These decisions have been finely balanced with several trade-offs. As the flexibility market(s) develops, we will continue to monitor and consider these impacts to ensure the market is working in the best interests of consumers.

We welcome the progress that industry has made via individual BSC code modifications to better define the relationship between suppliers and VLPs. However, we think considering these arrangements more holistically, outside of the BSC decision-making framework, could provide additional value to GB consumers and clarity to market participants. We suggest it would be beneficial for Ofgem, NESO and government to work more closely together and provide clear direction to industry on our long-term vision for how the relationship between suppliers and VLPs should work and how market arrangements need to develop and adapt to enable flexibility. This includes assessing the effectiveness of existing market arrangements. This will be guided by The Low Carbon Flexibility Roadmap due to be published by DESNZ later in 2025.<sup>18</sup>

We are increasingly of the view that wider assessment of aggregator policy, its impacts and optimum balance of risk is needed. We encourage industry to channel their feedback through the BSC issues group (114) or directly to us for consideration. We expect Ofgem's preliminary Strategic Direction Statement<sup>19</sup> for industry codes, that will be published later this year following our January consultation, will include more guidance on the areas where we consider that code modifications may be required.

### **EBGL Article 18 terms and conditions**

In accordance with Article 18 of the Commission Regulation (EU) 2017/2195 establishing a guideline on electricity balancing,<sup>20</sup> as amended by the Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019 (the EBGL Regulation),<sup>21</sup> NESO is required to maintain a set of terms and conditions (T&Cs) for balancing service providers (BSPs) and balance responsible parties (BRPs). On 8 October 2019,<sup>22</sup> we published our decision to confirm, upon satisfaction of certain conditions, that the T&Cs

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<sup>18</sup> <https://assets.publishing.service.gov.uk/media/677bc80399c93b7286a396d6/clean-power-2030-action-plan-main-report.pdf>

<sup>19</sup> <https://www.ofgem.gov.uk/consultation/consultation-preliminary-strategic-direction-statement-and-governance-arrangements-industry-codes>

<sup>20</sup> Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing, The EBGL Regulation, came into force on 18 December 2017. Accessible at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017R2195>

<sup>21</sup> 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](https://assets.publishing.service.gov.uk/media/5c17d6b440f0b60c8d601a2c/ENC_Markets_and_Trading_SI.pdf)

<sup>22</sup> Our 8 October 2019 decision is accessible at: <https://www.ofgem.gov.uk/decision/decision-transmission-system-operators-proposal-terms-and-conditions-related-balancing>

proposed by the ESO 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 P444 include changes which affect the T&Cs.<sup>23</sup>

We agree with the Panel that P444 does impact EBGL Article 18 terms and conditions held within the BSC and has a positive impact against EBGL objectives (a) and (f). We note that a consultation took place in line with the requirement of Article 10 of the EBGL, and we approve the changes to the relevant sections as amendments to the T&Cs.

### **Decision Notice**

In accordance with Condition E1 of the Electricity System Operator Licence, the Authority hereby directs that Alternative modification proposal *BSC P444: Compensation for Suppliers and Virtual Lead Parties for Virtual Lead Party actions in the Balancing Mechanism (BM)* be made.

**Georgina Mills**

**Director – Energy Systems Management and Security**

Signed on behalf of the Authority and authorised for that purpose

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<sup>23</sup> Mapping of EBGL Regulation Article 18 National Terms and Conditions requirements to the existing GB Electricity Market frameworks can be found at: <https://www.neso.energy/document/146936/download>