
Balancing and Settlement Code (BSC) P488: 'Aligning the BM Unit Rules for EII Assets in the BSC' (P488)

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:	8 August 2025
Implementation date:	Five working days after Authority decision

Background

The Energy Intensive Industries (EIIs) volume provision was originally introduced under the Electricity Market Reform (EMR) programme via modification ORD006, titled '*Electricity Market Reform – Energy Intensive Industries*'³. This provision supported the implementation of the government's exemption arrangements for EIIs, which were designed to reduce the cost burden of Contracts for Difference (CfD) payments on eligible EIIs. Specifically, the arrangements allowed suppliers to be exempted from a proportion of CfD costs for electricity supplied to qualifying EII customers.

To facilitate this, the Balancing and Settlement Code (BSC) and associated Code Subsidiary Documents (CSDs) were amended in 2015 to ensure accurate settlement and data provision. As part of these changes, Section K3.1.2A was introduced to require that Balancing Mechanism (BM) Units comprising EII Assets must not include any non-EII Assets, and that all EII Assets within a BM Unit must share the same Exemption Proportion. This structure was intended to ensure that only eligible volumes from EII-designated assets could be clearly identified and appropriately exempted during CfD settlement processes.

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.elxon.co.uk/bsc/ord/ord006-electricity-market-reform-energy-intensive-industries/>

However, this restriction is no longer aligned with the operational realities of the Network Charging Compensation Scheme (NCCS)⁴ and the exemption certificate framework administered since 2017 by the Department for Business and Trade (DBT). Since 2017 DBT issued partial exemption certificates based on the proportion of qualifying EII metered volumes, and these have been applied by Elexon and EMR Settlement Limited (EMRS).

P488 seeks to remove Section K3.1.2A from the BSC, which currently restricts the configuration of BM Units containing EII assets with non-EII assets. The existing provision prohibits the grouping of EII and non-EII assets, or EII assets with differing exemption proportions, within the same BM Unit—except for Supplier and Interconnector BM Units.

The modification proposal

P488 was raised by Elexon (the Proposer) and presented to the BSC Panel (362/05)⁵ at its meeting on 8 May 2025. The Proposal was followed by a draft modification report which, after consultation, was presented to the BSC Panel (363/05)⁶ for decision on 12 June 2025.

The modification proposal seeks to remove BSC Section K3.1.2A. The Proposer believes that this Modification will better facilitate Applicable Objective (d)⁷. This change will ensure the BSC is aligned with the processes currently undertaken by DBT, Low Carbon Contracts Company and EMRS in relation to EII certification.

The Panel's initial view was that P488 should not be treated as a Self-Governance modification, because BSC Section K3.1.2A is referenced under BSC Section F1.1.9(c)⁸, which may not be amended without the prior written consent of the Secretary of State. The Panel considered that this requirement for external consent placed the Modification outside the scope of Self-Governance. P488 was granted consent by Secretary of State on 2 July 2025 for amendment⁹.

⁴ [Network Charging Compensation Scheme - Elexon](#)

⁵ <https://www.elexon.co.uk/bsc/meeting/bsc-panel-362/>

⁶ <https://www.elexon.co.uk/bsc/meeting/bsc-panel-363/>

⁷ *Promoting efficiency in the implementation and administration of the balancing and settlement arrangements*

⁸ [BSC Section F: Modification Procedures - Elexon Digital BSC](#)

⁹ [elexon.co.uk/bsc/documents/change/modifications/p451-p500/p488-desnz-approval/](https://www.elexon.co.uk/bsc/documents/change/modifications/p451-p500/p488-desnz-approval/)

BSC Panel¹⁰ recommendation

At the BSC Panel meeting on 12 June 2025, a majority of the BSC Panel unanimously considered that P488 would better facilitate the BSC objective (d) and the Panel therefore recommended its approval.

The BSC Panel believes that P488 will remove the inconsistency and misalignment between the BSC and current operational practices. It therefore simplifies the BSC's administrative burden, removes a point of potential non-compliance, and aligns the BSC with established operational and policy practices.

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 18 June 2025. We have considered and taken into account the responses to the industry consultation(s) which are attached to the FMR¹¹. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the BSC;¹² and
- directing that the modification be made is consistent with our principal objective and statutory duties.¹³

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.

¹⁰ 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.

¹¹ BSC modification proposals, modification reports and representations can be viewed on the [Flexon website](#).

¹² As set out in Condition E1 of the Electricity System Operator Licence.

¹³ 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 Proposer and Panel unanimously voted that P488 better facilitates objective (d). They considered that removing the BSC Section K3.1.2A would resolve an inconsistency between the BSC and current operational practices relating to EII certification.

Our view

We consider that P488 better facilitates objective (d). It will remove BSC Section K3.1.2A for how EII exemptions are administered. P488 will ensure that the BSC legal text is aligned with the policy intent and operation of EII exemptions. It removes a section that may cause inconsistency and misalignment between the BSC and current operational practices. It thereby promotes efficiency in the implementation and administration of the balancing and settlement arrangements.

Decision Notice

In accordance with Condition E1 of the Electricity System Operator Licence, the Authority hereby directs that modification proposal BSC P488: 'Aligning the BM Unit Rules for EII Assets in the BSC' be made.

Shai Hassid

Deputy Director for Electricity Charging and Market Design

Signed on behalf of the Authority and authorised for that purpose