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## Ofgem decision to approve P489: 'Update approved P478 text to align with the latest MHHS Design'

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<b>Decision:</b>	The Authority <sup>1</sup> directs that this modification be made <sup>2</sup>
<b>Target audience:</b>	National Grid Electricity System Operator (NGESO), Parties to the BSC, the BSC Panel and other interested parties
<b>Date of publication:</b>	7 August 2025
<b>Implementation date:</b>	On the same date as the M8 Milestone ('Code Changes Delivered') in the baselined MHHS Implementation Timetable

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### Background

In September 2021, Ofgem approved the Authority Led Significant Code Review (SCR) Modification Proposal P423 'Market-wide Half Hourly Settlement (MHHS) Implementation and Governance Arrangements'.<sup>3</sup> With effect from October 2021, P423 modified the Balancing and Settlement Code (BSC) to require Elexon to manage the MHHS programme in a transparent, consultative and unbiased manner. P423 also obliged the MHHS Senior Responsible Owner (SRO) to ensure that the modifications to the BSC which are required for MHHS Implementation are developed in consultation with MHHS Participants and provided to the Authority for implementation.<sup>4</sup>

In response, the SRO established two governance groups to take forward this area of work. These were the Cross-Code Advisory Group (CCAG) and the Code Drafting Working Group (CDWG). After an extensive period of code development and consultation with MHHS Participants, the CCAG agreed, on 21 August 2024, that the legal text accurately reflected the MHHS Design. The CCAG Chair therefore baselined it in accordance with the M6 ('Code

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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> [MHHS Implementation and Governance Arrangements \(P423\)](#), Ofgem, September 2021.

<sup>4</sup> See section C12.5.2(b) of the BSC.

Changes Baseline<sup>5</sup>) deadline in the MHHS Implementation Timetable. The CCAG Chair, on behalf of the MHHS SRO, then wrote to Ofgem to request that Ofgem raise a modification bringing the draft provisions into effect. Having completed our own review of the baselined legal text, Ofgem raised a BSC Modification Proposal to implement the MHHS arrangements (P478).<sup>5</sup> After further consultation with industry through the BSC change management process, Ofgem subsequently approved the modification on 26 November 2024 for implementation at the M8 Milestone.<sup>6</sup>

Since 21 August 2024, MHHS Participants have continued to test the baselined MHHS design. This process has led to the identification of design defects that, when remedied, necessitated changes to the BSC to make sure that it remained aligned with the modified MHHS design. The draft legal text to align the BSC with the modified design was circulated to the members of the CDWG in early May 2025. The CDWG gave unanimous support for the legal text at its meeting on 13 May 2025. The proposed revisions were subsequently endorsed by the CCAG on 28 May 2025. The CCAG Chair, on behalf of the MHHS SRO, then wrote to Ofgem to request that we raise a modification using our SCR powers to bring the draft provisions into effect. Having satisfied ourselves that the legal text was consistent with our MHHS decision document of April 2021 and the objectives of the Electricity Settlement Reform SCR, Ofgem raised a BSC Modification Proposal on 4 June 2025.<sup>7</sup> This was an Authority-Led SCR modification requiring BSCCo to consult on it and report to Ofgem by 15 July 2025.

## **The modification proposal**

The revisions to the legal text proposed in P489 relate to Annex S-4 of the BSC, new and existing BSC Configurable Items and BSC-owned Energy Market Data Specification items.<sup>8</sup> The proposed amendments reflected the incremental updates that have been made to the MHHS Design since 21 August 2024. P489 is required in order to ensure that the appropriate MHHS design-related obligations, processes and provisions are correctly set out within the BSC. As

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<sup>5</sup> [P478 Implementation of MHHS Arrangements - Elexon BSC](#).

<sup>6</sup> [Decision to approve BSC modification proposal P478 | Ofgem](#).

<sup>7</sup> [elexon.co.uk/bsc/documents/change/modifications/p451-p500/p489-ofgem-letter-to-raise-the-mhhs-authority-led-scr-modification-proposal/](https://elexon.co.uk/bsc/documents/change/modifications/p451-p500/p489-ofgem-letter-to-raise-the-mhhs-authority-led-scr-modification-proposal/).

<sup>8</sup> Full details of the proposal are available here [P489 Update approved P478 for alignment with the latest MHHS Design - Elexon BSC](#).

such, the modification would enable a successful transition to the enduring MHHS governance and operational arrangements.

After P489 was raised, the MHHS Implementation Manager published a new MHHS design release ('IR8.11'). With Ofgem's agreement, Elexon updated the P489 solution to include this latest design release for the consultation on P489 that took place from 16 to 27 June 2025. We note that, in light of the responses to this consultation, Elexon made some corrections to the legal text to improve clarity and ensure full consistency with the latest MHHS Design. We note that all the respondents to the consultation, even those seeking corrections and clarifications, supported the timely approval and implementation of P489.

After the consultation closed, Elexon identified a further change to the legal text that, in its view, needed to be made in time for M8. The MHHS Code Design adds a new Party Agent role ('Data Service Agent') to the BSC. As Party Agents carrying out settlement processes in line with the BSC, Elexon argued that it was self-evident that this role should be included in the list of Performance Assurance Parties included in Section Z of the BSC. Including Data Service Agents in that list would enable Elexon and the Performance Assurance Board (PAB) to monitor their performance under the Performance Assurance Framework (PAF).

The CCAG approved the relevant legal text for this as part of P478, but the text was mistakenly omitted from the version of the P478 redlining submitted to the Panel and the error was not noticed in time to include the text in Modification P489 when it was originally proposed. Without that text, Smart and Advanced Data Services would not be covered by the PAF and Data Service Agents could not be audited, required to fix performance issues, or report to the PAB if they fail to meet performance standards. After discussion with Elexon, Ofgem agreed that incorporating that text in the final version<sup>9</sup> of P489 was the most efficient means of correcting the position for the M8 milestone.

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<sup>9</sup> Full details of the changes to the legal text since the proposal was raised are available here [P489 Update approved P478 for alignment with the latest MHHS Design - Elexon BSC](#).

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

At the BSC Panel meeting on 10 July 2025, the BSC Panel unanimously agreed that modification P489<sup>11</sup> would better facilitate Applicable BSC Objectives (b), (c) and (d). While the direct arguments against Objective (b) and Objective (c) for P489 are not as strong as they were for P478, the Panel considers that they are still valid.

Without P489, the Panel noted that the MHHS arrangements would be incomplete and not aligned with the MHHS design, which could lead to issues with MHHS delivery that delay the benefits that MHHS is expected to bring to competition and the efficient, economic and co-ordinated operation of the Transmission System. The Panel also agreed that the Proposal facilitates Objective (d) on the efficient administration of settlement and balancing. The Panel therefore recommended its approval.

## Our decision

We have considered all the issues raised by the modification proposal and the Final Modification Report (FMR) dated 15 July 2025. We have considered the responses to the industry consultation which are attached to the FMR.<sup>12</sup> We have concluded that:

- implementation of the modification proposal would better facilitate the achievement of the Applicable BSC Objectives;<sup>13</sup> and
- directing that the modification be made is consistent with our principal objective and statutory duties.<sup>14</sup>

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<sup>10</sup> 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](#).

<sup>11</sup> Including, on grounds of efficiency, the revised section Z text relating to Data Service Agents.

<sup>12</sup> BSC modification proposals, modification reports and representations can be viewed on the [Exelon website](#).

<sup>13</sup> As set out in [Standard Condition C3\(3\) of the Electricity Transmission Licence](#).

<sup>14</sup> The Authority's statutory duties are wider than the matters which the Panel must take into consideration and are detailed (most pertinently for present purposes) in section 3A of the Electricity Act 1989.

## Reasons for our decision

### ***Assessment against applicable BSC Objectives***

We consider that this modification proposal would better facilitate BSC Applicable Objectives (b), (c) and (d) and would have a neutral impact on the other Applicable Objectives.

#### **(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System**

We note that the Panel agreed that P489 would better facilitate Applicable BSC Objective (b) for the reasons we set out in the Authority Led SCR Modification Proposal Form. While the primary impact of MHHS is at supplier level, the increased accuracy in matching wholesale electricity purchases with actual consumption will lead to more precise balancing of forecasted and actual energy use. This will enable the Transmission System Operator to dispatch energy more accurately, ultimately improving overall system efficiency. Without P489, the MHHS arrangements would be incomplete and not aligned with the MHHS design. This could affect MHHS delivery and in turn delay system efficiency improvements. We agree with this.

#### ***(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***

We note that the BSC Panel agreed that P489 would better facilitate Applicable BSC Objective (c) for the reasons we set out in the Authority Led SCR Modification Proposal Form. We agree that this Modification facilitates increased competition and customer benefits. By ensuring that electricity suppliers face the true costs of serving their customers, MHHS will incentivise the development of new tariffs and services that encourage customer behaviours beneficial to a cost-effective electricity system. Additionally, the proposal would reduce barriers to entry through faster and more efficient settlement processes, fostering greater competition and enabling innovative business models in the energy market. Conversely, its absence could lead

to misalignment between MHHS design and legal text, leading to ambiguity and compliance issues that hinder competition and the full delivery of MHHS.

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

We note that the BSC Panel agreed that P489 would better facilitate Applicable BSC Objective (d) for the reason we set out in the Authority-Led SCR Modification Proposal Form. Ofgem remains of this view. By ensuring that BSC rules and processes are updated to align with the latest version of the MHHS design, P489 helps to avoid inconsistencies between the MHHS arrangements and the BSC. Without this Modification, the BSC would reflect an outdated version of the MHHS design, creating misalignment that could lead to compliance challenges, administrative inefficiencies, and uncertainty for market participants. Aligning the BSC with the latest MHHS design would ensure a smoother and more efficient implementation process, support industry readiness, and reduce the risk of errors and rework during delivery.

**Next steps**

The Electricity Settlement Reform SCR is an Authority-led end-to-end SCR. Our decision on P489 introduces revisions to the approved text of P478 identified as being necessary to align the BSC with the latest version of the MHHS Design. These revisions will come into force at MHHS Programme Milestone M8.

It remains possible that further changes to the BSC may be needed before MHHS 'go live' on 22 September 2025. We expect that any such changes would be needed primarily to align the BSC with changes to the MHHS design agreed through MHHS Programme governance since August 2024. Ofgem reserves the right to use its SCR powers to take forward any other modification proposals if, for example, we consider this the most efficient way of ensuring that they are implemented before MHHS 'go live'. In addition, further changes to the BSC could be needed even after 'go live' to bring the new MHHS arrangements fully into effect. If further code changes do prove necessary, we may also make those code changes under this SCR.

Having done so, the SCR will remain open until we have made our final decision in relation to the final code change, and we will confirm when we consider that to have happened.

### **Decision notice**

In accordance with Condition E1 of the Electricity System Operator Licence, the Authority hereby directs that modification proposal BSC P489 'Update approved P478 text to align with the latest MHHS Design' be made.



**Melissa Giordano, Deputy Director Retail**

Signed on behalf of the Authority and authorised for that purpose