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Balancing and Settlement Code (BSC) P503: Unfreezing Specific MDD Entities Temporarily to Enable Load Diversity (P503)

Decision	The Authority[1] directs that this Modification be made[2]
Target audience	Electricity Suppliers, Electricity Distribution Network Operators, National Energy System Operator (NESO), Parties to the BSC, the BSC Panel and other interested parties
Date of publication:	27 November 2025
Implementation date:	15 December 2025

Background

Suppliers have recently accelerated their efforts in replacing Radio Teleswitch (RTS) meters to Smart Meters in Northern Scotland. This has led many consumers who previously had different RTS tariffs to adopt new electricity heating tariffs, with those in Northern Scotland most commonly choosing an Economy 10 tariff. The decrease in tariff diversity led to a higher coincidence in the times consumers switch their energy on/off, in line with Economy 10 peak/off-peak times, leading to significantly increased coincident demand and creating new peak loads.

[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) support 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.

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Winter 2025/26 demand forecasts show that this increase in peak demand risks exceeding the capacity headroom, potentially resulting in localised voltage or resilience issues. In these scenarios, consumers may have their energy restricted via Security Restriction Notices, leading to significant detriment to consumer welfare, especially when considering vulnerable consumers on the Priority Services Register (PSR).

This issue is likely to be most significant in the Shetland Islands as its electricity system is highly sensitive to spikes in demand due to the lack of a large interconnector to Great Britain's (GB) mainland. There are 20 other sub-stations in Scotland that could face similar challenges, although to a lesser extent.

The Modification proposal

P503 was proposed by OVO and presented to BSC Panel on 6 November 2025 with a request to have Ofgem grant Urgent status to the modification. The proposal was granted Urgent status on 7 November 2025 as the modification was related to a current issue that would have a significant impact on BSC Parties if not addressed urgently[3]. The modification seeks to reduce peaks in demand by creating new Standard Settlement Configurations (SSCs) and Time Pattern Regimes (TPRs) by temporarily unfreezing Market Domain Data (MDD) entities. The Proposer believes these changes will introduce diversity in off-peak timings, while maintaining tariff choice for former RTS consumers.

Alternative solutions were considered by the Proposer before raising P503. These included moving load without updating the MDD and using existing SSCs and TPRs defined under the Load Managed Area (LMA) Notice. These alternatives were discarded as the former would

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[3] BSC P503 – Ofgem Decision on Urgency

place consumers on incorrect tariffs, causing billing errors and potentially increasing peak usage, and the latter would impose restrictions on the range of tariffs Suppliers would be able to offer to their consumers.

An alternative solution was also raised by one of the respondents to the Modification consultation. The respondent believed that a better solution would be to switch affected consumers to elective Half Hourly Settlement instead. This option was considered in discussion but was deemed unviable due to the time pressures of implementing a solution prior to mid to late December 2025 to avoid the potential peak demand indicated by the Proposer's modelling.

The Proposer highlighted the following benefits of the proposed solution when compared to the alternatives:

- improved safety of supply and reliability of the network by creating load diversity
- avoiding higher bills and preserving consumer choice, as alternative solutions to shift loads without updating the MDD would place consumers on incorrect tariffs or reduce consumers' choice of tariffs
- improved quality of service when compared to alternative solutions that would result in billing and In-Home Display (IHD) misalignment

BSC Panel[4] recommendation

At the BSC Panel meeting held on 20 November 2025, Panel members unanimously concluded that Modification Proposal P503 would better facilitate the Applicable BSC Objectives and therefore recommended its approval to the Authority.

[4] 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.

The Panel agreed with the arguments listed on the Modification Proposal form which outlined how P503 would better support:

- **Objective (b)** – *the efficient, economic and co-ordinated operation of the national electricity transmission system*

  The Proposer argued that without P503 the ability for Suppliers and Network Operators to manage load diversification in Northern Scotland would be restricted. This would lead to an inefficient operation of the national electricity transmission system as it would risk loss of supply for consumers in Northern Scotland.

- **Objective (c)** – *promoting effective competition in the generation and supply of electricity*

  The Proposer noted that the Modification decreases the chance of requiring an expansion of LMA Notices, which could harm competition. They also argued that misaligned MDD and consumer usage would cause Settlement issues and impact Supplier costs, leading to reduced effectiveness of competition in the supply of electricity.

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

  The Proposer noted that alternative solutions that do not create new SSCs would lead to Settlement errors due to the misalignment of consumer consumption and load switching with accurate SSCs. This would hamper the efficient administration of the balancing and settlement arrangements.

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Our decision

We have considered the issues raised by the Modification Proposal and the Final Modification Report (FMR)[5] dated 21 November 2025. We have also taken account of the responses to the industry consultation on the Modification Proposal, which are attached to the FMR. We have concluded that:

- Implementation of the Modification Proposal will better facilitate the achievement of the Applicable Objectives of the BSC[6]
- directing that the Modification be made is consistent with our principal objective and statutory duties[7]

Reasons for our decision

We consider that this Modification Proposal will better facilitate BSC Objectives (b), (c) and (d) and has a neutral impact on the other Applicable Objectives.

(b) ***the efficient, economic and co-ordinated operation of the national electricity transmission system***

The Proposer explained that without P503 the ability for Suppliers and Network Operators to manage load diversification in Northern Scotland would be restricted. This would lead to an inefficient operation of the national electricity transmission system as it would risk loss of supply for consumers in Northern Scotland.

Respondents to the Modification consultation also believed that P503 would support Objective (b) by supporting efficient and coordinated operation of the national Transmission

[5] BSC Modification proposals, Modification reports and representations can be viewed on the Elexon website at www.elexon.co.uk
[6] As set out in Condition E1 of the Electricity System Operator Licence.
[7] 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.

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System. One respondent noted that the Modification would restore load diversity and prevent risks to supply security by enabling the creation of new SSCs and TPRs.

A few respondents were concerned about the implementation costs and burden that would need to be undertaken by Suppliers to update the MDD and ensure that consumers' meters are updated with new switching times. Elexon clarified that only the Proposer intended to use the new SSCs and that the Modification did not obligate Suppliers to implement this change. A similar argument was raised for Licenced Distribution System Operators (LDSOs); however, Elexon confirmed that this change would only impact a single LDSO which has already confirmed that they are able to implement P503 in the proposed timeline.

Ofgem agrees with the positive arguments listed above and believes that P503 will have a positive impact on BSC Objective (b) by allowing Suppliers and Network Operators to more efficiently co-ordinate the operation of the electricity transmission system. Ofgem is also satisfied that the implementation costs for this modification will be largely restricted to the Parties who choose to implement it. Costs should not be a barrier to the implementation of P503, especially when considering its benefits to vulnerable consumers.

(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

The Proposer noted that the Modification decreases the chances of requiring an expansion of LMA Notices, which could harm competition. They also argued that misaligned MDD and consumer usage would cause Settlement issues and impact Supplier costs and believed that this would harm competition in the supply of electricity. One respondent to the Modification consultation highlighted that the Modification promotes effective competition by avoiding settlement misalignment.

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Ofgem agrees with this and believes that P503 will have a positive impact on BSC Objective (c) by eliminating distortions in competition that would come about by settlement misalignment in the absence of this Modification.

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

The Proposer argued that the option presented in P503 would better facilitate BSC Objective (d) over the status quo. They also believed that the proposed solution would improve Objective (d) over alternative solutions. The Proposer argued that both the status quo and alternative solutions would hamper the efficient administration of the Balancing and Settlement Arrangements, as they would cause Settlement errors due to the misalignment of consumer consumption and load switching with accurate SSCs.

One respondent to the Modification consultation believes that risks to the security of supply and settlement inefficiencies would persist without this Modification. Another respondent believed that P503 delivers clear benefits over the status quo by promoting efficient system operation, maintaining consumer choice, and avoiding settlement errors.

Ofgem agrees with the Proposer and supporters mentioned above and believes that P503 will have a positive impact on BSC Objective (d) by preventing misalignments in settlement arrangements.

One respondent disagreed that the proposed solution would be the best solution to the issue, as the change would only impact a small number of metering systems settled in Non-Half-Hourly (NHH) arrangements. They note that NHH arrangements are due to end in 18 months. Instead, they proposed that if Suppliers wished to do so they could move affected consumers onto an elective Half-Hourly arrangement to settle them accurately.

Discussions among BSC members concluded that this option could not be implemented in the urgent timescales required. P503 was granted urgent status specifically to allow for a solution to be implemented prior to the height of winter 2025/26, when higher peak demand increases risks for security of supply in Northern Scotland.

Ofgem agrees that P503 better facilitates BSC Objective (d), as it introduces diversity in peak timings without restricting Suppliers' tariff offerings to consumers and can be implemented within the required timescales, promoting efficiency in Balancing and Settlement Arrangements.

Thus, we consider that approval of P503 **is in line with Ofgem's principal objective of protecting the interests of electricity consumers.**

Decision Notice

In accordance with Condition E1 of the Electricity System Operator Licence, the Authority hereby directs that the Modification Proposal BSC P503: 'Unfreezing Specific MDD Entities Temporarily to Enable Load Diversity' be made.

Michael Walls
Head of Retail Market Operations
Signed on behalf of the Authority and authorised for that purpose

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