

Balancing and Settlement Code (BSC) P504: Inclusion of Virtual Trading Parties as Performance Assurance Parties (P504)

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:	19 February 2026
Implementation date:	26 February 2026

Background

On 6 October 2023, Ofgem approved BSC code modification P415: ‘Facilitating access to Wholesale Markets for flexibility dispatched by Virtual Lead Parties (VLPs)’.³ P415 aimed to facilitate access to wholesale electricity markets for flexibility dispatched by independent aggregators, along with compensation for suppliers who have been affected by this activity.

P415 introduced the role of a ‘Virtual Trading Party’ (VTP) as a BSC party. VTPs are independent aggregators who trade a customer’s flexibility in the wholesale market.

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.

³ [Ofgem decision P415 'Facilitating Access to Wholesale Markets for Flexibility Dispatched by VLPs'](#)

Part of Elexon's role as administrator of the BSC involves checking that all BSC parties follow rules on accurate submission of data. Elexon does this through the performance assurance framework. Currently, VTPs are not included within the list of BSC performance assurance parties, which means they are not in scope of the performance assurance framework. This inhibits Elexon's ability to carry out performance assurance techniques on them.

Elexon have said that, under the current circumstances, VTPs could increase settlement risk⁴ through potential non-compliance. Fair competition could also be undermined, due to VTPs not being subject to the same performance assurance as other BSC parties.

At Elexon's performance assurance board meeting in July 2025, it was decided that VTPs should be recognised as a performance assurance party.

The modification proposal

The BSC Panel raised P504: 'Inclusion of Virtual Trading Parties as Performance Assurance Parties' (the Proposal) on 13 November 2025 on behalf of the performance assurance board. The Proposal will add VTPs to the list of performance assurance parties. This will mitigate settlement risks by allowing Elexon to apply relevant performance assurance techniques to VTPs.

The Proposal will:

- further enhance monitoring and enforcement of standards
- reduce the risk of non-compliance
- improve the reliability of data used for settlement

⁴ A settlement risk is a potential failure point within a settlement process or system that may materialise as an adverse impact to the overall integrity of settlement.

BSC Panel⁵ recommendation

At the BSC Panel meeting on 11 December 2025, the BSC Panel (the Panel) unanimously agreed that P504 would better facilitate Applicable BSC objective (d) and the Panel therefore recommended its approval.

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR)⁶ dated 16 December 2025. We have considered and taken account of the responses to the industry consultation(s) 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 BSC⁷
- directing that the modification be made is consistent with our principal objective and statutory duties⁸

Reasons for our decision

We consider this modification proposal will better facilitate BSC objective (d).

⁵ 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.

⁶ BSC modification proposals, modification reports and representations can be viewed on the Elexon website at www.elexon.co.uk

⁷ As set out in Condition E1 of the Electricity System Operator Licence.

⁸ 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 Panel consider this proposal is positive against BSC objective (d) and support the intent behind the modification. The Proposal will help promote the implementation of balancing and settlement arrangements by reducing settlement risk and increasing assurance across BSC parties. The consultation responses were unanimous in agreeing that the Proposal should be approved.

We agree with the Panel that adding VTPs to the list of performance assurance parties will reduce settlement risks and therefore promote efficiency in the implementation and administration of the balancing and settlement arrangements. We agree that VTPs could have an impact on system imbalance and settlement risk through potential non-compliance and therefore should be subject to the performance assurance framework.

We also agree that VTPs should be subject to the same assurance as other BSC parties, which will enable a level playing field and maintain market integrity.

We further recognise that P415 intended for VTPs to be subject to performance assurance board oversight. P415 includes a requirement that allows the performance assurance board to remove qualification from a VTP if they fail to meet BSC requirements or performance standards. The Proposal will align the legal text with this intent by including VTPs as performance assurance parties, which enables this action.

We note the concern from a stakeholder in their consultation response regarding the suitability of the implementation date. The stakeholder expressed concern about the proportionality of the performance assurance techniques that would be applied to VTPs and

whether a longer implementation date might be needed. Elexon have confirmed that the performance assurance framework is employed proportionally to the materiality of the risks presented. The Proposal will only incorporate VTPs into the scope of the performance assurance framework and does not necessarily mean that VTPs will instantly be subject to multiple performance assurance techniques from day 1. We are satisfied with Elexon's response and the proposed implementation date.

Decision Notice

In accordance with Condition E1 of the Electricity System Operator Licence, the Authority hereby directs that modification proposal BSC P504: Inclusion of Virtual Trading Parties as Performance Assurance Parties be made.

Maryam Khan

Head of Electricity Security and Market Management

Signed on behalf of the Authority and authorised for that purpose