



Making a positive difference
for energy consumers

Sara Vaughan
BSC Panel Chair
Elexon
350 Euston Road
London
NW1 3AW

Date: 31 March 2026

Dear Sara,

BSC modification proposal P509 'Consumer benefits and safety net for Demand Side Response participation in the wholesale market' (P509) – decision on urgency

On 5 March 2026, Voltalis (the 'Proposer') raised BSC modification proposal P509.¹ Following the BSC Panel meeting, we² received a request from the Proposer that P509 be treated as an urgent modification proposal. This was accompanied by a letter from the Chair of the BSC Panel containing the outcome of the vote on urgency, which showed that the BSC Panel disagreed.

This letter sets out our decision that P509 will not be progressed on an urgent basis.

¹ [P509 Consumer benefits and safety net for DSR participation in the wholesale market](#)

² 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.

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 introducing mutualised compensation for suppliers who have been affected by this activity. P415 also 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.

The BSC does not currently include an enduring mechanism to assess whether the flexibility being dispatched by P415 delivers net market-wide benefits. P509 proposes a framework to monitor and report the net benefits of demand side response (DSR) participation in the wholesale electricity market. It aims to improve transparency and consumer protection by assessing whether demand-side activity continues to deliver market-wide value.

P509 proposes that Elexon undertake regular benefit assessments and publish aggregated insights on DSR performance. If repeated negative net impacts are identified, the framework would provide appropriate governance, escalation arrangements and regulatory oversight.

Also on 5 March 2026, Flexitricity raised BSC modification proposal P510 'Introducing Direct Compensation for Virtual Trading Party actions in the Wholesale Market'.⁴ P510 proposes replacing the existing mutualised compensation arrangements with direct compensation. On 18 March 2026, Axle Energy raised BSC modification proposal P511 'Eligibility Boundaries for Generation Participation in P415'.⁵ P511 proposes introducing a trading eligibility threshold, above which, generation assets would be ineligible to participate in the wholesale market via VTPs.

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

⁴[P510 Introducing Direct Compensation for Virtual Trading Party actions in the Wholesale Market](#)

⁵[P511 Eligibility Boundaries for Generation Participation in P415](#)

The proposers for P509, P510 and P511 noted that there has been a recent increase in the volume and cost of the P415 mutualised compensation fund, which is used for compensating suppliers when they are affected by a VTP action. Analysis of Elexon's MR1A data from 1 September 2025 to 28 February 2026 showed that approximately £19 million of supplier compensation cashflow has been mutualised.

The proposers noted that this recent increase in the mutualised compensation fund appears to originate from large generators, that already have established routes to market, using VTP arrangements. This creates a risk of potential double remuneration for certain generation assets, that can be paid by both their VTP and their power offtaker, which could have unintended consequences on market signals and efficiency.

Whilst P509 had not originally been conceived as urgent, the Proposer acknowledged its relevance had increased given emerging concerns about the scale and sustainability of mutualised compensation under P415.

The Proposer indicated a desire to pursue urgency in light of the parallel request for P510. The proposer for P511 also requested urgency for their modification.

The Proposer believes urgency for P509 is justified as:

- The cost impact for suppliers has increased exponentially
- Independent aggregators are not competing on a level playing field, due to generators being able to receive double payments
- A continuation of these volumes could cost upwards of £60 million to consumers annually

The Proposer therefore believes that P509 meets Ofgem's urgency criteria by addressing an issue that has a potential impact on customers and market participants. The Proposer also believes that the increased costs of mutualised compensation could threaten consumer support for flexibility.

BSC Panel View

At the BSC Panel meeting on 12 March 2026, the BSC Panel (the ‘Panel’) discussed P509 and the related code modification P510 before coming to a decision on urgency. The Panel did not agree to recommend to Ofgem that P509 should be progressed as an urgent modification proposal.

The Panel accepted that P509 raises important questions about transparency, net benefits, and sustainability of demand response arrangements but did not consider these issues to constitute an acute or time-critical failure that would justify compressing the normal assessment process.

The Panel also considered that P509 introduces novel concepts that would require significant industry scrutiny. The Panel had concerns that proceeding urgently would materially reduce workgroup time and industry scrutiny.

As such, the Panel agreed that P509 was important but should not be recommended for urgent treatment.

Our decision

In reaching our decision on the urgency of P509 we have considered the details within the proposal, the justification for urgency, and the views of the BSC Panel. We have also considered this alongside the related urgency requests for P510 and P511.

We have assessed the request against the urgency criteria set out in our published guidance.⁶

Our guidance sets out that an urgent modification should be linked to an imminent issue or a current issue that if not urgently addressed, may cause:

- a significant commercial impact on parties, consumers or other stakeholder(s)

⁶ [Ofgem Guidance on Code Modification Urgency Criteria](#)

- a significant impact on the safety and security of the electricity and/or gas systems
- a party to be in breach of any relevant legal requirements

Whilst we consider that the issue identified, if not urgently addressed, may cause a significant commercial impact on parties, consumers or other stakeholders, we agree with the Panel that P509 introduces novel concepts that would require significant industry scrutiny. P509 is considering the enduring framework for P415 arrangements, and we consider that proceeding urgently would materially reduce workgroup time and development.

We also agree with the Panel that whilst P509 raises important questions about transparency, net benefits, and sustainability of demand response arrangements we do not consider these issues alone meet our urgency criteria and would justify compressing the normal assessment process.

We consider that the scope of P509 goes beyond the immediate urgent issue and do not think it would be appropriate to proceed this modification on an urgent timescale. We also note that the Proposer did not initially intend for P509 to be treated as urgent.

We recognise that the proposers of P510 and P511 have also submitted urgency requests regarding this issue. Our decision on urgency for P509 has been made in conjunction with our urgency decisions for P510 and P511. Overall, in considering the three related requests and each of the items raised with them, we have decided that the specific issue that may have a significant impact on consumers should be addressed on an urgent basis (P511), with the enduring arrangements for P415 considered on a non-urgent timeframe (P509 and P510) to allow for full consideration of the costs and benefits, and appropriate stakeholder consultation. We consider that this approach strikes the appropriate balance between addressing risks in a timely manner whilst also allowing due consideration for any significant changes.

We therefore do not consent to this modification proposal being treated as urgent and expect it to proceed on a standard timetable. However, as per our guidance on urgency criteria, we recognise that the urgency status of a modification proposal can be changed if a change in circumstances relating to that proposal requires it.

For the avoidance of doubt, in making our decision on whether to grant the modification proposal urgent status, we have made no assessment of the merits of the proposal and nothing in this letter in any way fetters our discretion in respect of the proposal.

If you have any comments or questions about this letter, please contact Olivia Jones at industrycodes@ofgem.gov.uk.

Yours sincerely,

Maryam Khan

Head of Electricity Security & Market Management

Duly authorised on behalf of the Authority