



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 P511 ‘Eligibility Boundaries for Generation Participation in P415’ (P511) – decision on urgency**

On 18 March 2026, Axle Energy (the ‘Proposer’) raised BSC modification proposal P511.<sup>1</sup> Following the BSC Panel meeting, we<sup>2</sup> received a letter of request from the Chair of the BSC Panel, together with support from the Proposer, that P511 be treated as an urgent modification proposal.

This letter sets out our decision that P511 will be progressed on an urgent basis.

### **Background**

On 6 October 2023, Ofgem approved BSC code modification P415: ‘Facilitating access to Wholesale Markets for flexibility dispatched by Virtual Lead Parties (VLPs)’.<sup>3</sup> P415 aimed

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<sup>1</sup> [P511 Eligibility Boundaries for Generation Participation in P415](#)

<sup>2</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>3</sup> [Ofgem decision P415 'Facilitating Access to Wholesale Markets for Flexibility Dispatched by VLPs'](#)

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 Proposer states that P415 was introduced to enable independent aggregators to bring consumer-led flexibility and smaller behind the meter assets into the wholesale electricity market via the VTP route.

On 5 March 2026, Voltalis raised BSC modification proposal P509 'Consumer benefits and safety net for Demand Side Response participation in the wholesale market'.<sup>4</sup> P509 proposes that Elexon undertake regular benefit assessments and publish aggregated insights on demand side response 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'.<sup>5</sup> P510 proposes replacing the existing mutualised compensation arrangements with direct compensation.

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 both by their VTP and their power offtaker, which could have unintended consequences on market signals and efficiency. The

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<sup>4</sup> [P509 Consumer benefits and safety net for DSR participation in the wholesale market](#)

<sup>5</sup> [P510 Introducing Direct Compensation for Virtual Trading Party actions in the Wholesale Market](#)

Proposer also has concerns that these actions risk eroding confidence in the wholesale market arrangements before consumer-led flexibility has reached scale.

The Proposer believes P511 meets Ofgem’s urgency criteria because there is a current and demonstrable issue with the operation of the P415 compensation mechanism. The proposers for P509 and P510 also requested urgency for their modifications.

The Proposer states that, if the issue is not addressed urgently, mutualised compensation costs could continue to accrue, with the burden falling on suppliers and ultimately consumers. In their view, the current arrangements also create an economic incentive for additional large generation assets to adopt similar arrangements, which could further increase the mutualised compensation fund.

P511 proposes to introduce a trading eligibility threshold. Above this threshold, generation assets would be ineligible to participate in the wholesale market via VTPs. These assets would still retain access to the wholesale market through existing routes and could continue to participate in the balancing mechanism and ancillary services. P511 would define “ineligible secondary trading BM units” in the BSC and prevent wholesale market activity notifications from being submitted for those units.

### **BSC Panel View**

At the Special BSC Panel meeting on 18 March, the BSC Panel (the ‘Panel’) unanimously agreed to recommend to Ofgem that P511 should be progressed as an urgent modification proposal.

The Panel noted the evidence that, in recent months, P415 compensation payments have increased materially, with a significant proportion understood to relate to actions taken by large generation assets that already have existing routes to market. The Panel acknowledged that this outcome was thought not to be the original policy intent of P415, which they said was designed to facilitate consumer-led flexibility and independent aggregation, rather than to create additional revenue streams for large-scale generation already active in wholesale markets.

The Panel noted that P511 offers a narrow solution, focused on restricting access to P415 for generation assets above an appropriate threshold, without removing those assets' ability to participate in wholesale markets via other routes or to access other markets. The Panel also discussed the policy dimension of distinguishing between large and small generation and welcomed Ofgem's indication that it would re-examine the original policy intent of P415 in parallel.

The Panel agreed that detailed questions around the appropriate eligibility threshold, interaction with P509 and P510, potential sunset arrangements, and alignment with wider code and policy developments should be explored fully through an industry workgroup as part of the urgent process.

Following discussions on P511, Elexon noted that the Panel's recommendations on urgency for P509 (not recommended for urgency) and P510 (recommended by majority for urgency) had been made in the absence of P511 being raised and offered Panel members a chance to amend any of their views considering this outcome. However, the Panel did not wish to amend their previous positions and noted that Ofgem had access to all the necessary information to determine which (if any) modifications should proceed as urgent.

### **Our decision**

In reaching our decision on the urgency of P511 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 P509 and P510.

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

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:

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<sup>6</sup> [Ofgem Guidance on Code Modification Urgency Criteria](#)

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

We consider that the issue set out by the Proposer, if not urgently addressed, may have a significant commercial impact on parties, consumers or other stakeholders. We note that there appears to be evidence to suggest that under the current arrangements certain generators who sell electricity into the wholesale market via VTPs have the potential to be paid twice. If accurate, this could incentivise other generation assets to undertake similar arrangements and sell their electricity in the wholesale market via VTPs. Because P415 includes mutualised compensation arrangements, these actions would increase the mutualised compensation fund and therefore increase costs for suppliers and consumers.

We have been monitoring P415, including the costs associated with the compensation arrangements. We recognise that approximately £19 million has been mutualised over a 6-month period between September and February. The economic incentives presented by the current P415 arrangements for generators could result in the mutualised compensation fund increasing rapidly. We therefore consider this issue meets our urgency criteria.

We note that the proposers of P509 and P510 have also submitted urgency requests regarding this issue. Our decision on urgency for P511 has been made in conjunction with our urgency decisions for P509 and P510. 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 consent to this modification proposal being treated as urgent.

We agree the modification should follow the urgent timetable set out below:

<b>Process</b>	<b>Date</b>
Urgent modification workgroup 1	Within 5WD of Ofgem decision to approve urgent timetable
Urgent modification workgroup 2	Within 10WD of workgroup 1
Urgent modification consultation (1 month, due to likely EBGL impact)	Within 5WD of workgroup 2
Workgroup meeting to consider responses and finalise solution	Within 10WD of consultation closing
Draft urgent modification report presented to Panel	Within 10WD of workgroup
Final modification report submitted to Authority	Within 1WD of urgent Panel meeting

We note that under BSC provisions, in granting urgency, Ofgem has full discretion to amend the timetable and stages of P511 modification process. Whilst we have agreed to the timetable proposed by Elexon and the Panel, we recognise that this issue is urgent and would encourage the timetable to be flexible as needed. We will engage with Elexon throughout the process and discuss whether the timetable could be progressed quicker or whether further deliberation may be required.

For the avoidance of doubt, in granting the request for urgency, 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](mailto:industrycodes@ofgem.gov.uk).

Yours sincerely,

**Maryam Khan**

**Head of Electricity Security & Market Management**

Duly authorised on behalf of the Authority