

To: Elexon Limited

Electricity Act 1989 – Section 8A(3)

The Gas and Electricity Markets Authority (the Authority) hereby gives notice pursuant to section 8A(3) of the Electricity Act 1989 (the Acts) as follows:

1. In the [notice of proposal to grant a code manager licence](#), the Authority proposed to grant a code manager licence as defined under Section 6(1)(g) of the Electricity Act 1989 (the Licence) to Elexon Limited (company number 03782949), whose registered office is situated at 4th Floor, 350 Euston Road, London, England NW1 3AW (the Potential Licensee).
2. If the Authority grants the Licence to the Potential Licensee, it proposes to do so with the modifications set out in this notice, namely modifications to standard conditions 1, 2, 18, 20, 21, 23, 25, 26, 27 and 29 of the Licence and the introduction of special condition 1.
3. The proposed modifications involve:
 - (a) amending standard conditions:
 - 1 (Definition)
 - 2 (Rules of interpretation for this Licence)
 - 18 (Restriction on the Licensee becoming a Related Undertaking)
 - 20 (Annual Budget of the Licensee)
 - 21 (Appeals to the Authority on the Annual Budget of the Licensee)
 - 23 (Code Manager Cost Recovery Statement)
 - 25 (Performance incentives)
 - 26 (Remuneration policy)
 - 27 (Code maintenance and modification)
 - 29 (Production and execution of a Delivery Plan consistent with the Strategic Direction)
 - (b) introducing special condition 1
4. The effects of these modifications are:
 - i. for proposed amendments to standard conditions 1.3, 2.2, 2.23, 18.4 and 27.3 (b), to insert cross-references to another part of the licence where there are square-bracketed placeholders;

- ii. for proposed amendments to standard conditions 20.21- 20.23, to require the licensee to have in place a transitional budget from licence commencement date, and set out its related arrangements;
- iii. for proposed amendments to standard condition 20.24, to establish the revised transitional budget where the transitional budget has been amended;
- iv. for proposed amendments to standard condition 20.25, to require the licensee to publish an accompanying statement setting out which cost items relate to the code manager business;
- v. for proposed amendments to standard conditions 20.26 - 20.28, to define the transitional budget, the revised transitional budget and the transitional period;
- vi. for proposed amendments to standard condition 20.29, to provide the Authority the power to disapply the requirement to consult on a draft annual budget until 1 April 2027;
- vii. for proposed amendments to standard conditions 21.7-21.8, to clarify that the transitional budget (as defined in 20.26) cannot be appealed except where a revised transitional budget (as defined in 20.27) is in place;
- viii. for proposed amendments to standard condition 23.14, to disapply the requirement to publish a code manager cost recovery statement until 1 April 2027 or a later date as directed by the Authority;
- ix. for proposed amendments to standard condition 25.10A, to require the licensee's performance to be considered against transitional arrangements for the code manager performance indicators where the relevant code provisions are not in force;
- x. for proposed amendments to standard conditions 25.13-25.18, to require the licensee to implement, by 1 April 2027, the transitional performance framework that enables performance to be assessed until enduring arrangements are implemented in the code, and to set out the requirements applicable to those arrangements;
- xi. for proposed amendments to standard condition 26.4(b)(i), to require the principles and methodologies for awarding performance related remuneration to senior staff to enable assessment of and consider an individual's contribution and work towards the transitional arrangements for the code manager performance indicators;

- xii. for proposed amendments to standard condition 29.11, to provide the Authority the power to disapply the requirement to consult on a delivery plan until 1 April 2027;
- xiii. for special condition A1.1, to explain the purpose of the special condition, namely to specify the Relevant Code Objectives for the Balancing and Settlement Code (BSC), describe the BSC, and establish the licensee's obligations in respect of the BSC Framework Agreement;
- xiv. for special condition A1.2, to specify the Relevant Code Objectives for the BSC;
- xv. for special condition B1.1, to require the BSC to include provisions for the Balancing and Settlement Arrangements;
- xvi. for special condition B1.2, to require the licensee to ensure that relevant imbalances are calculated in compliance with article 4 of the Energy Market Investigation (Electricity Transmission Losses) Order 2016;
- xvii. for special condition B1.3 to require the Balancing and Settlement Arrangements in the BSC to comply with the Transmission Losses Principle;
- xviii. for special condition B1.4 to require the BSC to include provisions about arrangements that facilitate the operation of Contracts for Difference and Capacity Market pursuant to EMR legislation;
- xix. for special condition B1.5 to ensure that the BSC does not prevent or restrict the licensee or its affiliates from calculating, collecting, administering or settling amounts payable or arising under Contracts for Difference and capacity agreements entered into pursuant to EMR Legislation;
- xx. for special condition B1.6, to permit the BSC, subject to Code Manager Standard Licence Condition 17, Part A, to include provisions allowing the licensee to undertake other activities where the Authority has consented to those activities in accordance with that condition;
- xxi. for special condition B1.7, to permit the BSC to include provisions relating to activities undertaken by an affiliate of the licensee, provided that those provisions do not conflict with the licence or any consent given by the Authority under it;
- xxii. for special condition B1.8, to clarify that paragraphs B1.1 to B1.7 do not limit the matters which may be included in the BSC;

- xxiii. for special condition C1.1, to set out requirements relating to the BSC Framework Agreement, including the licensee's participation in that agreement and arrangements for admitting additional parties;
- xxiv. for special condition C1.2, to define “sale and purchase of electricity” for the purposes of the special condition.

We are consulting separately on proposals to amend ESO licence condition E1 to include obligations relating to the SDR. Subject to the outcome of that consultation, we propose to reflect those obligations in special condition 1 of Elexon's code manager licence.

The reasons why the Authority proposes to make these modifications to the standard conditions included in 4 above are set out in various documents published by or on behalf of the Authority including those listed below. We consider that these modifications are necessary to facilitate the effective implementation of the new governance framework for the BSC code manager, and that they would not unduly disadvantage the potential licensee, or any future holder of a code manager licence of the same type, in competing with other licence holders of that type:

- (a) [Energy code reform phase 1: transitional measures and code changes | Ofgem](#), May 2026
- (b) [Energy code reform phase 1: transitional measures and code changes](#), September 2026

In summary, the reasons are, in relation to:

- (a) standard conditions 1.3, 2.2, 2.23, 18.4 and 27.3(b): to provide the licence specific details required where the code manager standard licence conditions contain square-bracketed placeholders, ensuring that the conditions operate correctly.
- (b) standard conditions 20.21-20.23, 20.25-20.26 and 20.28: where the code manager licence commencement date is prior to 31 March 2027 (which is the date on which the code manager must have published its first annual budget by), to ensure that the code manager is able to recover costs for licensed activities ahead of the related licence requirements coming into force, as explained in paragraphs 3.34-3.35 of our phase 1 consultation decision.
- (c) standard condition 20.29: to prevent the code manager potentially having to unnecessarily repeat budget consultation steps already completed, as explained in paragraphs 3.39-3.40 of our phase 1 consultation decision.

- (d) standard conditions 20.24, 20.27, 21.7-21.8: to ensure that the transitional budget, that has been through a governance process under the previous code administrator framework, and has not been amended post licence commencement date, is not subject to appeal, as explained in paragraphs 3.37-3.38 of our phase 1 consultation decision.
- (e) standard condition 23: where the code manager licence commencement date is prior to 31 March 2027, to ensure the code manager is able to recover costs related to their code manager activities, as explained in paragraph 3.36 of our phase 1 consultation decision.
- (f) standard conditions 25 and 26: to enable the code managers performance to be assessed against the transitional performance framework from the date of licence commencement, while enduring arrangements are developed and refined ahead of their implementation in the code, as explained in paragraphs 3.51-3.52 of our phase 1 consultation decision.
- (g) standard condition 29: to prevent the code manager potentially having to unnecessarily repeat delivery plan consultation steps already completed, as explained in paragraphs 3.45-3.46 of our phase 1 consultation decision.

The reason why the Authority proposes to introduce the special condition referred to in paragraph 4 above is to transfer obligations in relation to the maintenance of the relevant code to the licensee, in line with the proposed approach we set out in our [2024 joint consultation with DESNZ](#) and [2024 joint government response with DESNZ](#).

The specific reasons for adding these are in relation to:

- (a) special condition A1.2, to establish the relevant code objectives that apply to the BSC for the purposes of paragraph 27.3(e) of the standard licence conditions, against which code modifications will be assessed
- (b) special condition B1.1 to B1.8, to preserve and transfer into the code manager licence the core requirements relating to the BSC, including requirements for the Balancing and Settlement Arrangements, transmission losses, Contracts for Difference and Capacity Market arrangements, while allowing for Authority-consented activities and affiliate activities where consistent with the licence.
- (c) the special condition does not carry forward provisions relating to the Warm Home Discount reconciliation mechanism because the relevant BSC provisions relate to a role that Elexon no longer performs
- (d) special condition C1.1-1.2, to establish key requirements for the BSC Framework Agreement, including arrangements for accession to the agreement and the meaning of "sale and purchase of electricity".

5. The proposed modifications, which are set out in an annex to this notice, and other documents referred to in this notice, have been published on our website (www.ofgem.gov.uk).
6. Any representations with respect to the proposed licence modifications must be made on or before **1 October 2026** to industrycodes@ofgem.gov.uk
7. We prefer to receive responses in an electronic form so they can be placed easily on our website, where we normally publish all responses.
8. You can ask us to keep your response, or part of your response, confidential. We will respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.
9. If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.
10. If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.
11. If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

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Carmel Golden,
Deputy Director,
Market Oversight and Enforcement

Duly authorised on behalf of the
Gas and Electricity Markets Authority

2 September 2026