

Special condition 1 for the code manager licence for the Balancing and Settlement Code (BSC)

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(BSC)

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Introduction

A1.1. The purpose of this condition is to:

- a) In Part A, specify the Relevant Code Objectives for the BSC;
- b) In Part B, describe the BSC, which is a document that sets out terms between the BSC Parties;
- c) In Part C, establish the Licensee's obligations in respect of the BSC Framework Agreement.

Part A: Relevant Code Objectives

A1.2. The Relevant Code Objectives for the BSC are:

- a) the efficient discharge by the Licensee of obligations imposed upon it by this Licence;
- b) the efficient, economic and coordinated operation of the National Electricity Transmission System;
- 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;
- d) promoting efficiency in the implementation and administration of the Balancing and Settlement Arrangements described in paragraph B1.1;
- e) compliance with the Electricity Regulation and any Relevant Legally Binding Decision of the European Commission and/or the Agency;
- f) implementing and administering the arrangements for the operation of Contracts for Difference and arrangements that facilitate the operation of a Capacity Market pursuant to EMR Legislation; and
- g) compliance with the Transmission Losses Principle

Part B: Description of the BSC

B1.1. The BSC must include provisions for the Balancing and Settlement Arrangements. The Balancing and Settlement Arrangements are:

- a) arrangements pursuant to which BSC Parties may make, and the Electricity System Operator may accept, offers or bids to increase or decrease the quantities of electricity to be delivered to or taken off the Total Electricity System at any time or during any period so as to assist the Electricity System Operator in

coordinating and directing the flow of electricity onto and over the National Electricity Transmission System and balancing the National Electricity Transmission System; and for the settlement of financial obligations (between BSC Parties, or between BSC Parties and the Electricity System Operator) arising from the acceptance of such offers or bids; and

b) arrangements:

- i. for the determination and allocation to BSC Parties of the quantities of electricity delivered to and taken off the Total Electricity System, and
- ii. which set, and provide for the determination and financial settlement of, obligations between BSC Parties, or (in relation to the Electricity System Operator's role in coordinating and directing the flow of electricity onto and over the National Electricity Transmission System) between BSC Parties and the Electricity System Operator, arising by reference to the quantities referred to in paragraph B1.1(b)(i) including the imbalances (after taking account of the arrangements referred to in paragraph B1.1(a)) between such quantities and the quantities of electricity contracted for sale and purchase between BSC Parties

B1.2. The Licensee must ensure that the imbalances referred to in paragraph B1.1(b)(ii) are calculated in compliance with Article 4 of The Energy Market Investigation (Electricity Transmission Losses) Order 2016.

B1.3. The Balancing and Settlement Arrangements in the BSC must comply with the Transmission Losses Principle.

B1.4. The BSC must include provisions about arrangements that facilitate the operation of Contracts for Difference and arrangements that facilitate the operation of a Capacity Market pursuant to EMR Legislation.

B1.5. The BSC must not include provisions that prevent or restrict the Licensee or any Affiliate of the Licensee undertaking the calculation, collection, administration and settlement of amounts payable or arising in respect of Contracts for Difference and capacity agreements entered into pursuant to EMR Legislation.

B1.6. Subject to Code Manager Standard Licence Condition 17, Part A, the BSC may include provisions allowing the Licensee to undertake activities other than those referred to in paragraphs B1.1 and B1.4, where the Authority has consented to those activities in accordance with that condition.

B1.7. The BSC may also include provisions relating to activities undertaken by an Affiliate of the Licensee, provided that those provisions do not conflict with this Licence or any consent given by the Authority under it.

B1.8. The provisions of paragraphs B1.1 to B1.7 do not limit the matters which may be provided for in the BSC.

Part C: BSC Framework Agreement

C1.1. In regard to the BSC Framework Agreement:

- a) the Licensee must be a party to the BSC Framework Agreement.
- b) the BSC and/or the BSC Framework Agreement must contain provisions:
 - i. for admitting as an additional party to the BSC Framework Agreement any person who accepts the terms and fulfils the conditions (each as specified in the BSC) on which accession to the BSC Framework Agreement is offered;
 - ii. for the Licensee to refer to the Authority for determination, whether of its own motion or as provided in the BSC, any dispute which arises as to whether a person seeking to be admitted as a party to the BSC Framework Agreement has fulfilled any accession conditions; and if the Authority determines that the person seeking admission has fulfilled all relevant accession conditions, for admitting such person as a party to the BSC Framework Agreement;
 - iii. for persons to be admitted as additional parties to the BSC Framework Agreement by either:
 - (1) a representative (who need not be a BSC Party) appointed thereunder to act on behalf of all parties to it, or
 - (2) if there is no such representative or if the representative fails to act, the Licensee acting on behalf of all parties to it
- c) if, following a determination of the Authority as referred to in paragraph C1.1(b)(ii), the representative referred to in paragraph C1.1(b)(iii) fails to act on behalf of all parties to admit such person, the Licensee must act on behalf of all parties to admit such person if directed to do so by the Authority

C1.2. In this condition in the expression "sale and purchase of electricity", sale excludes sale by way of assumption of an imbalance under the BSC and sale by way of supply to premises, and purchase must be construed accordingly.

Interpretation

In this special condition:

Agency means the European Union Agency for the Cooperation of Energy Regulators established by Regulation (EU) 2019/942.

Balancing and Settlement Code (BSC) means the Balancing and Settlement Code designated by the Secretary of State under section 182(1)(b) of the Energy Act 2023

BSC Framework Agreement means the agreement of that title, in the form approved by the Secretary of State, by which the BSC is made contractually binding between the parties to that agreement, as from time to time amended with the consent of the Secretary of State.

BSC Party means any person who is a party to the BSC Framework Agreement, other than the Licensee and any person who is a party for the purposes only of governing, administering and/or facilitating the implementation of the BSC.

Capacity Market means the scheme established by the Electricity Capacity Regulations 2014 (as amended) and the Capacity Market Rules (as amended).

Contracts for Difference means a contract for difference under Chapter 2 of Part 2 of the Energy Act 2013 (as amended).

EMR Legislation means Part 2 of the Energy Act 2013 and any secondary legislation or other rules in force pursuant to that Part.

Electricity Regulation means Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity, (recast) as it has effect immediately before IP Completion Day as read with the modifications set out in the SI 2020/1006.

Electricity System Operator means a person who holds an Electricity System Operator Licence.

National Electricity Transmission System means the system consisting wholly or mainly of high voltage electric lines owned or operated by transmission licensees, or operated by the Electricity System Operator, within Great Britain, in the territorial sea adjacent to Great Britain and in any renewable energy zone, and used for the transmission of electricity from one generating station to a sub-station, from one generating station to another generating station, between sub-stations, or to or from any electricity interconnector, and includes any electrical plant or meters owned or operated by any transmission licensee or the Electricity System Operator in connection with that transmission.

Relevant Legally Binding Decision means any relevant legally binding decision or decisions of the European Commission and/or the Agency, but a binding decision does not include a decision that is not, or so much of a decision as is not, assimilated law within the meaning of section 6(7) of the European Union (Withdrawal) Act 2018.

Transmission Losses Principle means the principle that the costs of electricity losses on the National Electricity Transmission System, as allocated in accordance with the

BSC and The Energy Market Investigation (Electricity Transmission Losses) Order 2016, are recovered from users of the National Electricity Transmission System in a manner which is sensitive to the relative impact of changes to each user's power flow as a result of their location on the National Electricity Transmission System.

Total Electricity System means the National Electricity Transmission System and the distribution systems of persons authorised to distribute electricity, where those systems are located in Great Britain, in the territorial sea adjacent to Great Britain and in any renewable energy zone.