



Making a positive difference
for energy consumers

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

15 October 2026

Dear Sara,

Authority decision to ‘send back’ Balancing and Settlement Code (BSC) modification proposal P519: ‘Preventing Qualified Persons from registering Metering Systems in MHHS Market Segments for which they are not Qualified’

On 17 September 2026, the Final Modification Report (FMR) for BSC modification proposal P519 was submitted to the Authority¹ for decision. We have decided that we are unable to form an opinion on P519 based on the FMR as submitted to us and are therefore sending the proposal back for further work.

Background

The Market-wide Half-Hourly Settlement (MHHS) qualification process exists to ensure that Parties can operate correctly under the MHHS arrangements. Under MHHS, there are three Market Segments – the Smart Market, Advanced Market and Unmetered Supplies Segments. As part of qualification, following Ofgem’s approval of BSC modification P476, the BSC Performance Assurance Board may grant exemptions from the requirement to

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 Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

qualify in a particular Market Segment on the basis that the Supplier does not operate in the exempted Market Segment. Registering Metering Systems in that exempted segment is therefore contrary to the basis on which the exemption was granted.

There is currently no system-wide control to prevent a Supplier with an exemption from registering Metering Systems in an exempted Market Segment. Retail Energy Code Change Proposal I0194, which would have introduced such a control, was withdrawn on cost-benefit grounds. Elexon can identify non-compliance through Performance Assurance monitoring and can require it to be remedied. However, the lack of a system-wide control means that a non-compliant Supplier could register more Metering Systems in the exempted Market Segment until the non-compliance is resolved. In that event, there is increased risk that data flows might not be processed correctly and consumption data might be handled incorrectly. This could in turn lead to delayed or inaccurate billing and affect Settlement calculations.

P519 would amend the BSC to state that

- any failure by a Supplier to comply with the conditions of any granted exemption shall result in the Supplier not being able to become a Registrant for Metering Systems for which it is not already a Registrant
- if Metering Systems are found in an exempted Market Segment, the Supplier shall not be able to register any new Metering Systems in any Market Segment until such time as it has completed MHHS Qualification.

The BSC Panel discussed P519 at its meeting on 13 August 2026. At that meeting, the BSC Panel unanimously agreed an initial recommendation that P519 should be approved. The BSC Panel also unanimously agreed that P519 would better facilitate BSC Objective (d). In the subsequent consultation, two respondents supported the Proposal and one opposed it. At the BSC Panel meeting on 10 September 2026, the BSC Panel discussed the responses. The Panel considered that, while P519 addresses a potential future risk to the Settlement arrangements, the proposed restriction may represent a disproportionate response where the risk arises inadvertently and the Supplier is actively taking steps to remedy the position. On that basis, the BSC Panel agreed unanimously that P519 would

not better facilitate BSC Objectives (c) and (d). The Panel therefore recommended unanimously that the Proposal should be rejected.

Reasons for our decision

As stated above, we are currently unable to form an opinion on the Proposal. This is because the FMR and the proposed legal text have the following deficiencies:

1. The proposed legal text does not fully align with the intended operational approach as outlined by Elexon in the FMR. The FMR states that where a Supplier “has inherited Metering Systems in a Market Segment for which it is not Qualified and this was not reasonably preventable (for example, though a Supplier of Last Resort event), Elexon’s Assurance Team will focus on monitoring and engagement with an expectation of prompt rectification. Where issues persist or pose a material risk to Settlement, escalation to the Performance Assurance Board will be considered”. However, this pragmatic approach is not reflected in the proposed legal text. The FMR states that Elexon advised the Panel that “introducing broad discretion into BSC legal drafting would be problematic, as it could undermine certainty and consistent application of the rules”. Ofgem does not agree. We consider that an element of discretion could have been introduced into the legal text. Indeed, if it had been, we consider that the proposal would have provided greater certainty to Suppliers that Elexon would take a proportionate approach to pursuing remediation of the breach (consistent with the approach outlined in the FMR) rather than automatically applying the restriction on registrations in all circumstances.
2. The legal text states that any registration restriction imposed under this Proposal would remain in place “until such time as the Supplier has completed MHHS Qualification”. However, in practice the breach could be remedied by the Supplier transferring the affected Metering Systems to another Supplier that is qualified to operate in the relevant Market Segment, or by the Supplier reversing erroneous registrations. Whilst the FMR refers to other forms of remediation, we consider that the legal text ought also to have made allowance for these possibilities.

3. One consultation respondent noted that the proposed restriction, which would apply at Party level and across all Market Segments, could be disproportionate where a Supplier inadvertently acquires Metering Systems in a Market Segment for which it does not hold the relevant Qualification (for example by being appointed the Supplier of Last Resort) and is actively trying to resolve the issue. The respondent noted that such a restriction could be particularly significant for larger Suppliers, given the potential impact on consumer choice and competition, and questioned whether it was proportionate to the materiality of the risks arising from a Supplier operating in a Market Segment for which it is not qualified. The FMR provides little information about the materiality of those risks to consumers and to Settlement beyond noting that an increasing number of Suppliers qualifying for MHHS are being granted exemptions. On that basis, we do not have sufficient information to assess fully the impact of the Proposal on competition and consumers.
4. Taken together, these deficiencies mean that we do not currently have sufficient information or an adequately developed proposal on which to determine whether P519 would better facilitate the Applicable BSC Objectives.
5. The Authority considers that the identified deficiencies are capable of being addressed through revised legal drafting and additional analysis and therefore considers it appropriate to issue a direction under Section F2.7A rather than reach a final determination on the Proposal at this stage.

Direction under section F2.7A of the BSC

We therefore direct under section F2.7A of the BSC that additional steps are undertaken:

1. The BSC Panel shall arrange for the development of a revised legal text. This legal text shall:
 - provide that Elexon may introduce registration restrictions on Suppliers that have registered Metering Systems in a Market Segment for which they have

been granted an Exemption (in a manner consistent with the operational approach outlined in the FMR of 17 September 2026)

- clarify that breaches may be remediated by means other than Qualification for the relevant Market Segment, including where the non-compliant registration has otherwise been corrected
- make any consequential changes to the relevant section of the BSC that the Panel considers necessary to give effect to these points.

2. The BSC Panel shall arrange for consultation on the proposed revisions to the legal text and shall, after considering the responses to that consultation, revise the FMR accordingly and submit it to Ofgem. To facilitate Ofgem's decision on the Proposal, the consultation should seek views on, and the FMR should include additional consideration of, the drivers for and impact of P519 on competition and consumers. This should include information on the materiality of the identified Settlement risk, the likely frequency of the relevant scenarios, and the impact on consumers and competition of any alternative restriction models considered.

Yours sincerely,

Jenny Boothe

Head of MHHS, Ofgem

Signed on behalf of the Authority and authorised for that purpose