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Notice of proposal on modifications to the Balancing and Settlement Code and affected licences

Publication date: 06 November 2026

To: all interested parties, including all persons bound by the Balancing and Settlement Code and all relevant licence holders for the purposes of paragraph 4(3)(b) of schedule 12 to the Energy Act 2023.

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Notice of decision on modifications to industry codes to implement a harmonised code modification prioritisation process

Energy Act 2023

Schedule 12, paragraphs 4(1), 4(2) and 4(4)

Notice of statutory consultation

1.1 The Gas and Electricity Markets Authority (the Authority)[1] proposes to modify the Balancing and Settlement Code (BSC) and the conditions of affected licences under paragraph 4(1) of schedule 12 of the Energy Act 2023.

1.2 The BSC has been designated as a qualifying document by the Secretary of State as part of the designation notice (amended and consolidated) under paragraphs 1(1)(b) and 1(5) of schedule 12 to the Energy Act 2023 designating certain documents and central systems for the purposes of schedule 12 to the Energy Act 2023.[2]

1.3 The proposed modifications are intended to implement the new code governance framework established under the Energy Act 2023 and prepare the BSC for designation under section 182 of that Act.

Proposed modifications to the BSC

1.4 The proposed modifications to the BSC are:

- introducing a harmonised code modification process and stakeholder advisory forum, including transitional arrangements
- updating the governance of decisions currently taken by the BSC panel, including the role of BSCCo and when it must seek advice from the stakeholder advisory forum
- updating the Smart Secure Electricity Systems Governance Framework to align it with the new BSC governance framework and clarify the respective roles and responsibilities of BSCCo, the stakeholder advisory forum and the SSES Governance Groups
- distinguishing BSCCo's code manager business from permitted business and aligning the BSC with the code manager licence requirements for board governance, budgets, delivery plans, budget appeals, business controls and financial and operational safeguards
- updating provisions on the code manager objectives, cost recovery, usage-based charging, end-of-licence arrangements, and the provision of information to and co-operation with the Authority

[1] The terms 'the Authority', 'Ofgem', 'we' and 'our' are used interchangeably in this document. Ofgem is the Office of the Authority

[2] Designation Notice (amended and consolidated) under paragraphs 1(1)(b) and 1(5) of Schedule 12 to the Energy Act 2023 designating certain documents and central systems for the purposes of Schedule 12 to the Energy Act 2023

- introducing provisions connected with the Authority's direction powers for designated central systems
- updating arrangements for code committees, derogations and performance assurance to reflect the replacement of the BSC panel and the introduction of a licensed code manager
- removing dependencies on the Electricity System Operator licence where these are no longer appropriate, while preserving the relevant accession, data governance and review arrangements within the BSC or code manager licence
- making consequential, clarificatory and drafting amendments, including updating definitions and terminology, removing obsolete provisions, and updating cross-references required to support the implementation and operation of the new code governance framework

1.5 The effect of the proposed modifications to the BSC would be to facilitate the transition of the code to the new governance framework provided for by the Energy Act 2023, including the introduction of licensed code managers.

1.6 Further explanation of the proposed BSC modifications, the reasons for them and their intended effect is set out in part one of the statutory consultation published alongside this notice. The full proposed text, including insertions and deletions, is set out in the consultation annexes.

Proposed amendments to affected licences

1.7 The Authority also proposes to use its powers under paragraph 4(1) of schedule 12 to the Energy Act 2023 to make the following modifications to the conditions and standard conditions of affected licences:

- amend condition E1 of the Electricity System Operator licence to remove requirements relating to the maintenance, governance and modification of the BSC that will instead be imposed on the licensed BSC code manager, while retaining requirements that will continue to apply to the National Energy System Operator;
- make consequential changes to definitions in the Electricity System Operator licence and Gas System Planner licence so that they reflect the introduction of the licensed BSC code manager and the new governance arrangements; and
- amend the definition of the BSC in the standard conditions of the electricity distribution, electricity supply, gas supply, electricity generation and electricity transmission licences, and in the Electricity System Operator licence, to reflect our intention to recommend that the Secretary of State designate the the BSC under section 182(1)(b) of the Energy Act 2023.

1.8 The effect of the proposed licence modifications would be to ensure that the affected licences remain accurate and operate effectively after responsibility for maintaining and modifying the BSC transfers to the licensed BSC code manager.

1.9 Further explanation of the proposed licence modifications, the reasons for them and their intended effect is set out in part two of the statutory consultation published alongside this notice. The full proposed text is set out in the consultation annexes.

Purposes of amendments

1.10 The Authority considers that the proposed modifications are appropriate for the purposes of the following provisions of paragraph 2(1) of schedule 12 of the Energy Act 2023:

- paragraph 2(1)(a), for the purposes of, or in connection with, establishing the role of code manager in respect of a document expected to become a designated document;
- paragraph 2(1)(b), in preparation for the granting of a code manager licence to a person in respect of a designated document;
- paragraph 2(1)(d), for the purposes of promoting the efficient governance of arrangements under one or more qualifying documents
- paragraph 2(1)(e), for the purposes of harmonising the governance of particular qualifying documents or qualifying documents generally.

Proposed commencement

1.11 If the Authority decides to make the proposed modifications, it intends that they will come into effect at the same time as the designation of the BSC under section 182 of the Energy Act 2023 takes effect, unless otherwise provided for through commencement or transitional provision specified in the decision or modification instruments.

How to respond

1.12 Representations to the proposed modifications must be received on or before 18 December 2026] and sent to:

Industry Codes Team
Office of Gas and Electricity Markets
10 South Colonnade
Canary Wharf
London
E14 4PU

or by email to:

industrycodes@ofgem.gov.uk.

1.13 The accompanying statutory consultation explains how to respond and how we will handle personal data and requests for confidentiality. We normally publish

consultation responses on the Ofgem website. If you want all or part of your response to be treated as confidential, clearly identify the relevant material and explain why.

1.14 This document gives notice of the Authority's proposals and reasons for them for the purposes of paragraph 4 of schedule 12 of the Energy Act 2023. It should be read with the statutory consultation and the proposed modification text published alongside it.

Yours sincerely,

Kate Lloyd
Head of Code Governance Reform, Industry Rules
Market Oversight & Enforcement