BSC Modification Proposal Form	At what stage is this document in the process?

P449

Mod Title: Energy Bill Relief Scheme for non-domestic customers

01 Modification
02 Workgroup Report
03 Draft Modification Report
04 Final Modification Report

Purpose of Modification:

To enable Elexon (BSCCo) to act as the payment provider for the Government's Energy Bill Relief Scheme for non-domestic electricity customers. This Modification intends to implement an arrangement to provide subsidy payments to Suppliers that would be proportionate to consumption for applicable non-domestic customers. The intention of the subsidy would be to reduce non-domestic consumer tariffs in light of the recent rises in energy costs.

Does this Modification impact any of the European Electricity Balancing Guideline (EBGL) Article 18 Terms and Conditions held within the BSC?

☐ Yes ☒ No

The Proposer recommends that this Modification should:

- be treated as urgent and progressed under a timetable agreed by the Authority
- not be a Self-Governance Modification Proposal

This Modification will be presented by the Proposer to the BSC Panel on 1 November 2022. The Panel will consider the Proposer's recommendation and determine how best to progress the Modification.

High Impact:

Suppliers

Medium Impact:

None

Low Impact:

Elexon (BSCCo)

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Timetable

The Proposer recommends the following timetable:

Modification presented to Panel	01 November 2022
Submitted to Authority for decision on urgency	01 November 2022
Urgent Modification Consultation (5WD)	02 November 2022 to 08 November 2022
Draft Urgent Modification Report presented to Panel	09 November 2022
Final Urgent Modification Report submitted to Authority	09 November 2022
Implementation	+1WD after Authority decision

Any questions?

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1 Why Change?

What is the issue?

European energy prices have increased dramatically, following the ending of lockdown and the gas crisis initiated by Russia's invasion of Ukraine. Ofgem has predicted that GB wholesale electricity prices to reach £600 per MWh this winter[1], while they were £71 per MWh in July 2021[2]. Further rises are expected in the future and, as we approach winter, there are concerns over the number of businesses who may not be able to afford energy costs, resulting in potential for insolvencies and loss of jobs.

The increase in wholesale energy costs could also have wider economic impacts. There has already been an impact on inflation, and the cost of living crisis is expected to cause a recession, as predicted by the Bank of England[3]. It is also possible that the increased energy costs could cause further Supplier failures. Previously, rising wholesale gas costs caused several Suppliers[4] to fail, in part because they were unable to pass the increasing costs on to customers. With increasing numbers of non-domestic customers unable to make payments, there are concerns that additional Supplier failures may be triggered.

As a result of these concerns the Government has proposed the Energy Bill Relief Scheme (EBRS) for non-domestic customers, with discounts applied to energy usage initially between 1 October 2022 and 31 March 2023. Through the EBRS, the government intends to provide a discount on gas and electricity unit prices for non-domestic customers who agreed supply contracts post April 2022. The government-supported price has been set at £211 per MWh for electricity, which has been set by Ofgem based on the price cap within the Energy Price Guarantee for domestic customers. The intention is for Elexon to act as the EBRS electricity payment provider.

The activities that Elexon is permitted to undertake are outlined in BSC Section C 'BSCCo and its Subsidiaries'[5]. Currently, the activities stipulated in BSC Section C do not include provisions for administering such a scheme.

Note that this Modification relates only to the EBRS in relation to non-domestic electricity customers. The Modification to Elexon's vires to facilitate the Energy Price Guarantee (EPG) Scheme for domestic customers, to secure reductions in the electricity bills of domestic consumers in Great Britain, was implemented by P446[6].

Desired outcomes

The desired outcome from this Modification is to enable BSCCo to fulfil the role of payment provider for the Energy Bill Relief Scheme for electricity.

The object of the Scheme is to ensure that non-domestic consumers' energy bills are lower than they would otherwise be. The intention is for Suppliers to be compensated under the Scheme so that they can reduce the tariffs that would otherwise be charged to applicable businesses without making a significant loss on the energy they sell.

[1] https://www.gov.uk/guidance/energy-bill-relief-scheme-help-for-businesses-and-other-non-domestic-customers
[2] https://www.businesselectricityprices.org.uk/retail-versus-wholesale-prices/#:~:text=What%20Are%20The%20Wholesale%20Energy,Last%20updated%20July%202021.
[3] https://www.bankofengland.co.uk/monetary-policy-report/2022/august-2022
[4] https://www.forbes.com/uk/advisor/energy/failed-uk-energy-suppliers-update/
[5] https://www.elexon.co.uk/the-bsc/bsc-section-c-bscco-subsidiaries/
[6] https://www.elexon.co.uk/mod-proposal/p446/

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2 Solution

Proposed Solution

The proposed solution is similar to that of P446, the Modification that introduced the vires for Elexon to undertake the role of Scheme Administrator for the EPG Scheme for domestic electricity customers. The P449 solution would allow Elexon to undertake a role for EBRS, as delegated by the Department for Business, Energy & Industrial Strategy (BEIS). This role would involve BSCCo processing Supplier requested payments approved by BEIS and providing necessary consumption data reporting for the assurance of the scheme. It should be noted that, in contrast to the EPG Scheme, Elexon is not required to carry out any calculations or validation of the claims for the EBR Scheme, as these processes will be carried out by BEIS.

Implementing the solution to this Modification will require changes to BSC Section C 'BSCCo and its Subsidiaries' to extend the vires for Elexon. The amendment would have to allow Elexon to undertake a new non-BSC related function, acting as payment provider for the scheme. An amendment to Section H 'General'[7] would also be required so that, as with other industry schemes and agreements, the EBRS Functions Agreement is treated as a 'Nominated Agreement'. For example, this means that the BSC allows for Elexon to provide BSC Data to BEIS. There will also be an amendment required to Section X 'Annex X-1 'General Glossary'[8]. Proposed legal text can be found in Attachment A.

The proposed BSC Modification will describe and limit Elexon's role and functions by reference to the Energy Bill Relief Scheme Functions Agreement, the Energy Bill Relief Scheme Regulations 2022, and the Discount Recovery Rules 2022. The intention of referencing out to these documents is to ensure consistency and prevent divergence between obligations set out in these locations and the BSC. Having the details of the scheme within the EBRS Functions Agreement, rather than the BSC, also ensures that the Government have appropriate control over the scheme and hold the risks as the scheme owner.

The Energy Bill Relief Scheme Regulations 2022 (made by the Secretary of State under the Energy Prices Act 2022[9]) establish the Energy Bill Relief Scheme for gas and electricity, including the rules for claims and payments, the functions and obligations of the Secretary of State in respect of the Scheme, and the obligation and entitlements of Suppliers. The Discount Recovery Rules 2022, made under the Energy Bill Relief Scheme Regulations, will set out further detail in respect of the discount recovery provisions in the Regulations, including detail and processes for making claims and payments. The Regulations provide for the Secretary of State to delegate its functions under the Discount Recovery Rules. The Secretary of State will delegate these functions to Elexon in respect of the electricity EBR Scheme. The EBRS Functions Agreement, between the Secretary of State and Elexon, will set out the specific functions and obligations of Elexon in respect of the Scheme.

As Elexon will be performing a separate and distinct role as EBRS payment provider, the proposed Modification provides that the Panel and Panel Committees will not have any responsibilities in respect of Elexon's functions as payment provider.

The proposed BSC Modification ensures that Scheme payments are accounted for separately from other BSC Costs and Trading Charges and that BSC Parties are not responsible for funding payments under the Scheme. EBRS Amounts may only be used for the purposes of the EBRS, and only EBRS Amounts

[7] https://www.elexon.co.uk/the-bsc/bsc-section-h-general/
[8] https://www.elexon.co.uk/the-bsc/bsc-section-x-annex-x-1-general-glossary/
[9] https://www.legislation.gov.uk/ukpga/2022/44/enacted#:~:text=2022%20CHAPTER%2044,connected%20to%20the%20energy%20crisis.

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may be used to make payments for the purposes of the EBRS. The Modification does provide for Elexon's administrative and operational costs in undertaking EBRS functions to be included as BSC Costs payable by Trading Parties via Funding Shares.

The legal text also includes a sunset clause that means the paragraph relating to the EBRS will be deleted once Elexon is no longer carrying out this function. This could be because the function has been delegated to someone else or because the EBRS has ceased.

Benefits

The benefits of the Modification would primarily be the securing of reductions in the electricity bills of non-domestic consumers in Great Britain. This would have a positive impact on the businesses and the economy, reducing the risk of insolvencies and job losses. The Modification would also support Suppliers, reducing the likelihood of Supplier failure due to customer non-payment of bills during the current wholesale energy price increases. This would consequently reduce the burden of Supplier failures on those who remain in the market and would have to pick up any mutualisation costs.

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3 Relevant Objectives

Impact of the Modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence	Neutral
(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System	Neutral
(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	**Positive**
(d) Promoting efficiency in the implementation of the balancing and settlement arrangements	**Positive**
(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]	Neutral
(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation	Neutral
(g) Compliance with the Transmission Losses Principle	Neutral

Applicable BSC Objective (c)

In the view of the Proposer this Modification will better facilitate Applicable BSC Objective (c) as it will support the continued operation of Suppliers through the current wholesale energy price crisis. This will facilitate more robust competition when market conditions return closer to normal, as it will protect Suppliers from a systemic risk that could result in all Suppliers failing. Increasing energy prices mean an increased risk of consumers being unable to pay electricity bills, which could in turn result in Supplier failure. This would result in large mutualisation of failed Supplier debts between those Suppliers who were left in the market. This Modification would, at a time of significant wholesale electricity price rises, aim to reduce the number of Supplier failures, by facilitating a scheme intended to reduce consumer bills while compensating Suppliers so that they are not making a significant loss on the energy they sell.

Applicable BSC Objective (d)

This Modification will better facilitate Applicable BSC Objective (d) as the Proposer anticipates that there would be a reduced number of expected Supplier failures as a result of this scheme. Supplier defaults are resource intensive for the BSC Panel and for BSCCo, and therefore reduce the efficiency of the balancing and settlement arrangements. If the payment scheme results in fewer defaults then there will be an administrative benefit and lower levels of mutualised costs for other Parties.

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4 Potential Impacts

Impacts on Core Industry Documents

Impacted Core Industry Documents			
☐Ancillary Services Document	☐Connection and Use of System Code	☐Data Transfer Services Agreement	☐Use of Interconnector Agreement
☐Retail Energy Code	☐Transmission License	☐System Operator Transmission Owner Code	☐Supplemental Agreements
☐Distribution Code	☐Grid Code	☐ Other (please specify)	☒ None

This Modification does not impact on any existing Core Industry Documents. There is an equivalent scheme for non-domestic gas customers, but this is currently being progressed without need for a Uniform Network Code (UNC) Modification.

Impacts on BSC Systems

Impacted Systems				
☐CRA	☐CDCA	☐PARMS	☐SAA	☐BMRS
☐EAC/AA	☐FAA	☐TAAMT	☐NHHDA	☐SVAA
☐ECVAA	☐ECVAA Web Service	☐Elexon Portal	☐Other (Please specify)	☒ None

This Modification does not impact any BSC systems.

Impacts on BSC Parties

Impacted Parties			
☒Supplier	☐Interconnector User	☐Non Physical Trader	☐Generator
☐Licensed Distribution System Operator	☐National Electricity Transmission System Operator	☐Virtual Lead Party	☐Other (Please specify)

This Modification will positively impact Suppliers as they will receive subsidy payments proportionate to their consumption. There will also be an impact to all Trading Parties as Elexon's administrative and operational costs in undertaking EBRS functions to be included as BSC Costs.

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Impacts on consumers and the environment

Impact of the Modification on consumer benefit areas:	
Consumer benefit area	Identified impact
Improved safety and reliability	Neutral
Lower bills than would otherwise be the case This Modification would enable the implementation of a scheme that will lower applicable non-domestic consumers' bills by providing a subsidy to Suppliers. This would result in lower energy bills than expected in light of the increase in energy cost.	**Positive**
Reduced environmental damage	Neutral
Improved quality of service	Neutral
Benefits for society as a whole This Modification would enable the facilitation of a scheme that will have a significant impact on the viability of GB businesses in light of the wholesale energy price increase, by enabling lower non-domestic energy bills than would otherwise be anticipated. The EBRS will provide support to businesses that will reduce the likelihood of insolvencies and protect jobs. There are also wider benefits to the economy anticipated, as the cost of living crisis has impacts on inflation and the potential for a recession. The payment scheme that will be facilitated by this Modification would also reduce the likelihood of Supplier failure as a result of the increased wholesale energy prices, which would avoid non-defaulting Suppliers picking up the default payments of any defaulting Supplier.	**Positive**

Legal Text Changes

BSC Section C 'BSCCo and its Subsidiaries', Section H 'General', and Section X 'Annex X-1 'General Glossary' will be impacted by this Modification, with proposed legal text in Attachment A of this Proposal Form.

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5 Governance

Self-Governance

☒ **Not Self-Governance –** A Modification that, if implemented:	
☒ materially impacts the Code's governance or modification procedures	☐ materially impacts sustainable development, safety or security of supply, or management of market or network emergencies
☒ materially impacts competition	☒ materially impacts existing or future electricity consumers
☐ materially impacts the operation of national electricity Transmission System	☐ is likely to discriminate between different classes of Parties
☐ involves any amendments to the EBGL Article 18 Terms and Conditions related to Balancing; except to the extent required to correct an error or as a result of a factual change	
☐ **Self-Governance –** A Modification that, if implemented:	
Does not materially impact on any of the Self-Governance criteria provided above	

This Modification Proposal should not be treated as Self-Governance. It will materially impact competition, as the subsidy is likely to reduce the risk of Supplier failure in relation to the recent energy cost increases. The Modification will also materially impact electricity customers as it will result in lower bills than could be expected otherwise. Further, it amends Elexon's vires so materially impacts the Code governance. Lastly, Urgent Modification Proposals must be decided by Ofgem. Therefore, if Ofgem determine this Modification should be treated as urgent, it must be submitted to Ofgem for decision.

Progression route

☐ **Submit to assessment by a Workgroup** –:A Modification Proposal which:	
does not meet any criteria to progress via any other route.	
☐ **Direct to Report Phase** – A Modification Proposal whose solution is typically:	
☐ of a minor or inconsequential nature	☐ deemed self-evident
☐ **Fast Track Self-Governance** – A Modification Proposal which meets the Self-Governance Criteria and:	
is required to correct an error in the Code as a result of a factual change including but not limited to:	
☐ updating names or addresses listed in the Code	☐ correcting minor typographical errors
☐ correcting formatting and consistency errors, such as paragraph numbering	☐ updating out of date references to other documents or paragraphs

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☒ **Urgent –** A Modification Proposal which is linked to an imminent issue or current issue that if not urgently addressed may cause:	
☒ a significant commercial impact on Parties, Consumers or stakeholder(s)	☐ a Party to be in breach of any relevant legal requirements.
☐ a significant impact on the safety and security of the electricity and/or gas systems	

Considering Ofgem's Urgency Criteria, we believe that this Modification should be treated as urgent because it will have a significant commercial impact upon Parties and consumers and is related to a current issue. This Modification is seeking to facilitate the Energy Bill Relief Scheme that will support non-domestic consumers and Suppliers during the wholesale energy price increase and associated cost of living crisis. The predicted future energy costs mean that many businesses may be unable to afford their energy bills, which could result in businesses failing, loss of jobs, and subsequent hardships for those newly unemployed, as well as negative impacts on the economy as a whole. Additionally, failure of consumers to pay bills could result in Supplier failure and significantly disrupt the market. The scheme would also ensure that Suppliers have money to enable them to make payments to Generators, ensuring the continued efficient operation of the energy market.

Elexon has a unique position within the electricity industry that means it is best placed to provide necessary consumption data to BEIS for the assurance of the scheme and to facilitate payments to Suppliers. Elexon has existing systems and contacts for banking that will be valuable in setting up the payment processes at speed, necessary for the first payments to be made on time as well as established relationships with all licenced Suppliers under the BSC.

The government intent for the EBR Scheme to cover non-domestic bills from 1 October 2022 to 31 March 2023, which would require the first payments for the scheme to be made in mid-November. This is so that the savings can be included in customers October bills, which would usually be received in November.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No impacts on any active SCR have been identified by the Proposer and so it is requested that it be treated as an SCR-exempt Modification Proposal.

Does this Modification impact any of the EBGL Article 18 Terms and Conditions held within the BSC?

This Modification will not impact the EBGL Article 18 terms and conditions as BSC Section C is not specified in the mapping given in Section F Annex F-2[10]. It is not anticipated to extend the terms or conditions either.

[10] https://www.elexon.co.uk/the-bsc/bsc-section-f-modification-procedures/

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Implementation approach

This Modification would be required before Elexon is able to sign a contract to become EBRS payment provider, prior to the first payment date for the Scheme in mid-November. As such, we propose that this Modification be implemented at the earliest possibility. The Implementation Date should therefore be +1 Working Day (WD) after Authority decision as a special release.

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