

This annex sets out the proposed changes to the electricity transmission licence for the purpose of enabling Elexon to act as the operator of the reconciliation mechanism for Warm Home Discount. **We propose that the Secretary of State makes the changes set out below. We would welcome respondents views.**

**Condition C3: Balancing and Settlement Code (BSC)**

1. The licensee shall at all times have in force a BSC, being a document
  - (a) setting out the terms of the balancing and settlement arrangements described in paragraph 2;
  - (b) designed so that the balancing and settlement arrangements facilitate achievement of the objectives set out in paragraph 3;
  - (c) including the modification procedures required by paragraphs 4, 4A to 4C and 13A;
  - (d) including the matters required by paragraphs 6;
  - (e) establishing a secretarial or administrative person or body, as specified in the BSC, (the "code administrator") and setting out the code administrator's powers, duties and functions, which shall:
    - (i) include a requirement that, in conjunction with other code administrators, the code administrator will maintain, publish, review and (where appropriate) amend from time to time the Code of Practice approved by the Authority and any amendments to the Code of Practice are to be approved by the Authority;
    - (ii) include facilitating the matters required by paragraphs 4 and 6;
    - ~~(iii)~~ have regard to and, in particular to the extent that they are relevant, be consistent with the principles contained in, the Code of Practice; and
    - ~~(iii)~~(iv) not prevent or restrict the code administrator or an affiliate of the code administrator from operating the reconciliation mechanism referred to in paragraph 1A.

and the licensee shall be taken to comply with this paragraph by modifying from time to time in accordance with the provisions of paragraphs 4 and 5 and the transition modification provisions, the document known as the BSC which existed and the licensee maintained pursuant to this licence immediately prior to the start of the transition period.

1A. The BSC may also include provisions about arrangements for the operation of any reconciliation mechanism established by the Secretary of State under section 11 of the Energy Act 2010 in connection with a scheme for reducing fuel poverty, where the operator of the reconciliation mechanism is the code administrator or an affiliate of the code administrator.

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14. 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 shall be construed accordingly; and

"applicable BSC objective(s)" means

(a) in relation to a proposed modification of the modification procedures, the requirements of paragraph 4 (to the extent they do not conflict with the objectives set out in paragraph 3); and

(b) in relation to any other proposed modification, the objectives set out in paragraph 3.

"transition modification provisions" means the provisions of this condition which apply or applied during the transition period and which enable or enabled the Authority (whether with or without the consent of the Secretary of State) to direct the licensee to modify the BSC in certain circumstances.

"affiliate of the code administrator" means any holding company or subsidiary of the code administrator or any subsidiary of a holding company of the code administrator, in each case within the meaning of section 1159(1) of the Companies Act 2006.

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