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Future System Operation  
Office of Gas and Electricity Markets  
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Dear BEIS and Ofgem,

### **SSEN Transmission response to The Future Ownership of Elexon**

This response is prepared on behalf of Scottish Hydro Electric Transmission Plc (SSEN Transmission), part of the SSE Group, responsible for the electricity transmission network in the north of Scotland.

We welcome the opportunity to respond to the consultation and recognise the need to consider the ownership of Elexon once the Future System Operator (FSO) has been established. Elexon provides a crucial service to the industry, and therefore a change in ownership must be implemented with minimal disruption to ensure that the day to day running of the energy system is not compromised. Either ownership model identified should, in principle, be suitable subject to an appropriate governance framework agreed with industry. In considering the practicalities of the ownership models, we would highlight the following points:

- There are a number of unresolved issues relating to the industry-owned model that must be clarified and consulted on before a decision is made. In particular – pension liabilities, enforcement action and arrangements prohibiting Balancing and Settlement Code (BSC) parties from owning shares in other companies.
- Changing the ownership structure of Elexon should not affect any existing accountabilities to its customers and Elexon should continue to be a not-for-profit entity.
- Under the industry ownership option, the consultation states that licensed funding parties are likely to be the most appropriate group of shareholders. While this seems a logical set of potential owners, we would note that some BSC parties have financing arrangements in place that prohibit them from owning shares in other companies. Such parties would likely need a derogation from any licence obligation to own shares if industry ownership as detailed in the consultation is to be pursued. An alternative to mandatory ownership of the funding parties could be that BEIS invite expressions of interest from current BSC parties in becoming shareholders.

- Elexon's role in providing services to the Low Carbon Contracts Company (LCCC) and the associated administration of the Contracts for Difference (CfD) scheme must also be taken into account when considering the proposed ownership models. Lack of investor confidence in CfD will reduce investment in future renewable projects and subsequently impact transmission networks, delaying the transition to net zero.
- The ongoing Energy Code Reform work must also be considered as there are still uncertainties regarding Elexon's function as a Code Manager that will need to be tracked.
- Moving the roles and functions of Elexon could create a high level of complexity and the skills, experience and expertise of the organisation must be considered in full. If such changes are not done efficiently and with minimal disruption, there is a risk that these qualities are lost during the transition leading to unnecessary delay.

Finally,

- There can be profound consequences when something goes wrong in the management of the energy system. The public place significant trust in the stewardship of the essential services and want to know who is responsible. A programme-led approach must therefore be used for any reforms, including the change of ownership of Elexon, to ensure that there is a clear framework for roles and responsibilities. All necessary legislation, licencing changes, and code modifications should be in place before implementation goes live.

It is important that the timeline for this reform is considered in the context of net zero. We do not have any time to spare pursuing unnecessary changes or inefficiencies which could hinder this transition. There are a number of ongoing institutional reforms within the energy industry that will interlink with the proposals set out in this consultation (e.g., FSO, Energy Code Review, local energy governance). Ultimately reform in one area of industry will have a bearing on other parts, and reforms must be considered holistically to ensure there are no unintended consequences. Any change in ownership must therefore minimise any disruption and uncertainty, be seamless and coordinated with all other current industry reviews to ensure that there is no disruption to the operation of the energy system.

We welcome further engagement in this area, and should you wish to discuss any aspect of this response please do not hesitate to get in touch.

Yours sincerely,

Emma Cant  
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SSEN Transmission