

By email only: futuresystemoperator@beis.gov.uk
SOreview@ofgem.gov.uk

22 September 2022

The Future Ownership of Elexon

Thank you for the opportunity to provide input into your consultation on the future ownership of Elexon. This response is on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc. We are GB's largest electricity Distribution Network Operator (DNO), dedicated to delivering a safe, secure, and sustainable electricity supply to 8.4 million homes and businesses.

UK Power Networks is pleased to support the Government's proposed decision on Elexon ownership. We do not think that public ownership is the best way of maintaining Elexon's specialist skills base or its operational independence and "honest broker" role in supporting electricity markets. Elexon's role is already important to us and we expect it to become increasingly relevant as we expand our Distribution System Operator activities in the coming years.

We have considered whether it would be appropriate for UK Power Networks (and other DNOs) to ask to take a share in Elexon's future ownership. We would be willing to consider this again, if the need arose in future, but we are satisfied for the time being that the Government's proposed ownership structure will provide the necessary operational independence for Elexon.

Our more detailed response to the consultation questions is set out in the appendix to this letter.

We hope that the points we have raised in this submission will be helpful. Should you wish to discuss any of these points further, please do not hesitate to contact Daniel Saker (Daniel.Saker@ukpowernetworks.co.uk) in the first instance.

Yours sincerely



Suleman Alli
Director of Strategy and Customer Service
UK Power Networks



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Appendix: Responses to Questions

1. Do you agree with the proposed criteria to determine the future ownership of Elexon? Please state why.

Yes, we agree with the proposed criteria.

2. Do you agree that public ownership and industry ownership are the two most credible ownership options? In your view, are there any other ownership options that we should consider, and why?

We believe that different forms of industry ownership are the most credible ownership options and don't see public ownership as a credible option in the longer term.

Public ownership could complicate Elexon operations, diminish its risk appetite and affect its ability to chart an independent course.

In particular, any control exercised through ESO/FSO in future might complicate or de-prioritise Elexon's engagement with DSOs and others engaged in local and regional markets of any kind. We would support broad industry ownership of Elexon in future, regardless of Government plans to create the FSO.

3. Do you agree with our stated preference of the potential combinations of BSC parties which could own Elexon if industry ownership were chosen? Please state why.

We are content with the preferred ownership model within the BSC. It appears sufficiently robust at this stage to ensure Elexon independence, without any further widening of ownership being necessary.

But we recommend a period of monitoring and a review of ownership options after a few years. If wider and increased diversity of ownership would help to secure Elexon's independence and operational flexibility in future, UK Power Networks would, subject to shareholder approval, be prepared to consider taking a small minority stake.

4. To what extent do you agree with the above analysis of the two main ownership options, public ownership and industry ownership, and our preference for industry ownership?

We agree with the choice of industry ownership, with a wide class of shareholders and maintenance of existing governance. This best preserves Elexon's operational independence and its operational effectiveness.

5. To what extent do you agree with our proposal that Elexon should transfer temporarily into the public sector as a subsidiary of the FSO as a last resort, if industry ownership was chosen following consultation but could not be

implemented without delaying the creation of the FSO? Please explain why.

We would not expect industry ownership of Elexon to be controversial or difficult to arrange. If any delay is a matter of weeks, it would be better to accept the delay. If it is to be longer, we would reluctantly agree with the proposed interim solution, but any spell in the public sector should be legally time limited, so that this does not become the long-term solution by default.

6. Are any other changes required to implement either of the two ownership options?

No

7. What are your views on the proposed licence and code changes set out above?

We are content.

8. Have we considered all relevant costs and benefits of these proposals? Please state why

If anything, the costs and risks of the public ownership model have been under-estimated, for the reasons set out above in our answer to question 2.