

22/09/2022

**Electricity Systems Team**  
**Department for Business, Energy and Industrial Strategy**  
**Abbey 1, 3rd Floor**  
**1 Victoria Street**  
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**SW1H 0ET**

Via email: [futuresystemoperator@beis.gov.uk](mailto:futuresystemoperator@beis.gov.uk)

Dear Electricity Systems Team,

## **Response to The Future Ownership of Elexon consultation**

Drax Group plc (Drax) owns and operates a portfolio of flexible, low carbon and renewable electricity generation assets – providing enough power for the equivalent of more than 8 million homes across the UK. The assets include Drax Power Station, based at Selby, North Yorkshire, which is the country's single largest source of renewable electricity. Drax also owns two retail businesses, Drax Energy Solutions (formerly trading as Haven Power) and Opus Energy, which together supply renewable electricity and gas to over 300,000 business premises. This response is non-confidential.

We believe that private ownership is the most appropriate model. It has proven to be a successful model up to now and may offer greater flexibility and adaptability if Elexon's role as a licenced code manager evolves in the future. We also have concerns that substantially altering the ownership structure of Elexon at the same time as the creation of the Future System Operator (FSO) could cause delays to the FSO programme and potentially impact on the smooth operation of Elexon's core functions.

Our preference is for the FSO arrangements to be concluded before the ownership and funding of Elexon is implemented. We believe this would provide time to address the enduring funding arrangements for Elexon, which is a significant omission from this consultation and ideally needs to be considered alongside the future ownership and governance arrangements.

Our responses to the consultation questions are appended. We would be happy to discuss any aspect of our response with you further if it would be helpful.

Yours faithfully,

*Submitted via email*

**Paul Youngman**  
**Regulation Manager – Industry Governance**

## **Appendix: The Future Ownership of Elexon - Detailed Response**

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

Yes, we broadly agree with the criteria but believe that the sequencing needs to be altered. Our view is that changes to Elexon ownership, if any, should occur after the FSO has been established. The enduring funding model should also be considered alongside the future ownership and governance arrangements. We note that if the sequencing is altered then the criteria to avoid disruption to the FSO delivery is no longer relevant.

### **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?**

Yes, we agree that either public or industry ownership are the two most credible options.

### **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.**

Yes, if industry ownership by multiple parties were chosen now, then only licenced parties who fund Elexon should be shareholders. However, we believe a wider discussion on enduring funding and ownership/governance arrangements is needed. We note that ongoing administration, liabilities, and Code Manager licence obligations (and potential fines) are all issues that require consideration under our preferred private ownership model.

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

Given the information provided, both models appear viable and could meet the criteria outlined in the consultation, but we agree that private/industry ownership is the preferable option overall

### **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.**

Yes, we agree this last resort option may be the least impactful on the FSO programme and ensure continuity of Elexon operations. Alternatively, Elexon ownership could be simply novated to NGET temporarily to ensure continuity as a privately owned subsidiary whilst the FSO is established.

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

None that we are aware of.

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

Our view is more detail related to the licence and code changes is needed in order to assess the implications on parties and ensure that any unintended consequences can be mitigated. It is not clear if the indemnity within the BSC is sufficient for the proposed new shareholders or that the indemnity would protect against further expansion of Elexon's roles and duties. For instance, if Elexon undertook new energy code manager roles, or operated in a different energy vector for which they may incur additional liabilities. It is also

ambiguous how the obligation to mutually cooperate would work, or what the method of conflict and dispute resolution would be between licenced shareholders or between the Elexon board and shareholders.

Altering the current arrangements, without additional consideration and detailed proposals, risks introducing complexity which may impact Elexon's costs and operations. Our view is that Elexon has a robust track record as code manager and this position could be compromised without this additional consideration.

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

We think that the funding arrangements, ownership and governance of Elexon are all interlinked and should be addressed after the FSO is established.