



## Elexon Ownership Consultation

### Response form

The consultation is available at: <https://www.gov.uk/government/consultations/elexon-ownership-consultation>

The closing date for responses is Thursday 22<sup>nd</sup> September

Please return completed forms to:

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

#### AND

Future System Operation  
Office of Gas and Electricity Markets  
10, South Colonnade  
Canary Wharf London  
E14 4PU

Email:

[futuresystemoperator@beis.gov.uk](mailto:futuresystemoperator@beis.gov.uk) and [SOreview@ofgem.gov.uk](mailto:SOreview@ofgem.gov.uk)

### Personal / Confidential information

Please be aware that we intend to publish a summary of all responses to this consultation.

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

Ofgem will publish non-confidential responses (or parts of response) on its website. If you want your response in whole or in part to be considered confidential, please tell us in your response and say why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

Please be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our privacy policy.

All responses will be processed by both BEIS and Ofgem as this is a joint consultation. This includes sharing the contact details of respondents between BEIS and Ofgem.

We will summarise all responses and publish this summary on GOV.UK. The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

I want my response to be treated as confidential ☐

Comments: [Click here to enter text.](#)

## About You

Name: Bryan Heap

Organisation (if applicable): Electricity North West Limited

Address: Hartington Road, Preston, PR1 8AF

	Respondent type
<input type="checkbox"/>	Business representative organisation/trade body
<input type="checkbox"/>	Central government
<input type="checkbox"/>	Charity or social enterprise
<input type="checkbox"/>	Individual
<input checked="" type="checkbox"/>	Large business (over 250 staff)
<input type="checkbox"/>	Legal representative
<input type="checkbox"/>	Local government
<input type="checkbox"/>	Medium business (50 to 250 staff)
<input type="checkbox"/>	Micro business (up to 9 staff)
<input type="checkbox"/>	Small business (10 to 49 staff)
<input type="checkbox"/>	Trade union or staff association
<input checked="" type="checkbox"/>	Other (please describe) Electricity Distribution Network Operator

## Questions relating to the ownership of Elexon

### Question 1

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

A ☒ **Agree** ☐ **Disagree**

**Please state why.**

We are supportive of the proposed criteria to assess the potential ownership options. The only potential additions would be the relative efficiency of the ownership model with the lowest cost to customers. We do not believe that these additions will change the proposed position but may strengthen the case for private ownership.

### Question 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?

A ☒ **Agree** ☐ **Disagree**

**In your view, are there any other ownership options that we should consider, and why?**

We agree with the analysis in the consultation. Our view is that the other potential options identified in the consultation could place additional risk on the Elexon BAU operations at a point in time of significant industry shift, particularly with regards to MWHHS and energy crisis. The proposed models potentially de-risk the FSO transfer from National Grid to public ownership.

### Question 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.

A ☒ **Agree** ☐ **Disagree**

**Please state why.**

We support the proposed preferred ownership model. Our position is based upon a number of factors

- We agree that Elexon should remain in private ownership.

- The owners of Elexon should be licenced businesses to ensure that Ofgem can enact any changes to the business responsibilities.
- It is appropriate the owners of Elexon should be the suppliers and generators. – a subset of the licensed BSC parties. The primary purpose of Elexon is the governance of the BSC. As the BSC governs the balancing mechanism and imbalance settlement processes of electricity trading arrangements between generators and suppliers – it is appropriate they continue to fund and going forward become the owners of BSC administrator Elexon.
- We do not think that the DNOs are natural “owners” of Elexon. This is based upon the purpose of the BSC to support the energy trading markets and also based on the fact that one of the DNOs is owned by National Grid.
- If the decision was made to extend the ownership to all BSC licensed parties to include DNOs, we would request a review and evolution of the BSC objectives to better align with our licensed distribution obligations would be necessary.

We conclude that ownership option 2 (Generators and Suppliers only) is the most appropriate option and would also minimise the risk of delays to establishing the FSO and be the less complex solution and therefore lowest cost for customers.

#### Question 4

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

- A
- ☒ **Agree**
  - ☐ **Partially agree**
  - ☐ **Neither agree nor disagree**
  - ☐ **Partially disagree**
  - ☐ **Disagree**

#### Comments regarding ownership options and our preference:

We strongly support the proposal for industry ownership, by suppliers and generators. As noted in the consultation, Government policy on public ownership is very clear that businesses should only be moved into public ownership where there is no viable, efficient solution available. In the case of Elexon, the business is completely independent from National Grid and has been operating as a stand-alone business for many years. As the efficient solution already exists, we propose that there is no reason to move Elexon into public ownership.

### Question 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.

- A
- ☐ Agree
  - ☐ Partially agree
  - ☐ Neither agree nor disagree
  - ☐ Partially disagree
  - ☒ Disagree

#### Please explain why:

As stated in our earlier comments, the most appropriate solution from the ESO to industry ownership should be progressed. Our concerns with the proposed temporary transfer into the FSO is that there are likely to be additional costs as a result and the potential for unintended consequences of putting public sector controls and requirements on the company. A cost benefit analysis should be conducted to understand if the efficient decision is to temporarily transfer Elexon into the FSO, or for the FSO process to be slightly delayed to the proposed industry ownership model.

We would suggest that expediting the transfer of Elexon ownership straight to Suppliers and Generators is likely a strongly preferential outcome, so investigating ways to achieve this could be a priority.

### Question 6

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

#### Please provide your answer below:

We have identified a small number of potential changes, but these are dependent upon the final ownership model.

- There are a significant number of licence conditions and BSC schedules which ring fence the operations of Elexon – these need to be transferred or modified to reflect the new ownership model.
- As noted in our answer to Question 3, if option 1 of the ownership model is implemented, a thorough review of the BSC objectives should be completed to

reflect the new model and how this would align with the SO, DNO and interconnector licensed obligations.

#### **Question 7**

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

**Please provide your answer below:**

We are supportive of the proposed modifications. It is worth noting that if the temporary transfer of Elexon into the FSO is necessary, there would need to be a significant amount of work required to transfer the ownership (and associated licence conditions, BSC schedules etc) to the FSO, and then to the industry model at a later date.

#### **Question 8**

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

**Please provide your answer below:**

We agree that there are no significant operational costs or benefits associated with the preferred options. There may be legal costs associated with the National Grid divestment and the establishment of the new company, but these may not have been considered in the scope of the consultation. The proposed industry ownership model with Generators and Suppliers as the shareholders represents the most efficient solution for customers and any move away from this position is likely to increase costs and the risk of potential delays to the FSO.

As noted in question 5, there may be some additional costs relating to the temporary transfer of Elexon to the FSO and these should be considered before adopting his approach.

**Do you have any other comments that might aid the consultation process as a whole?**

Please use this space for any general comments that you may have, comments on the layout of this consultation would also be welcomed.

[Click here to enter text.](#)

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply ☐

At BEIS we carry out our research on many different topics and consultations, and your views are valuable to us. Would you be happy for us to contact you again from time to time either for research or about other consultations?

☒ Yes

☐ No