



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 22nd 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 and 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: In line with our E.ON company ethos, we are committed to achieving the 2050 Net Zero carbon targets, and the creation of the Future System Operator role to provide the appropriate robust governance to support this challenge. As a result, we acknowledge the importance of Elexon constitution arrangements to ensure that Elexon is able to fully operate and be effective within future market conditions. Our preference would be to adopt the industry ownership model, on the basis that any transfer of shares from National Grid Energy System Operator to industry parties be made on a goodwill basis, to avoid a scenario whereby shareholders cannot receive a dividend but need to purchase shares (per current wording in BSC Section C), and also are required to fund Elexon through party charges. We agree that any change should be smooth, and avoid any disruption to important industry programmes, and the creation of the FSO. We would be reluctant to support a hybrid model of (i) moving to public ownership then (ii) at a later date reverting back to industry ownership, as we believe this would introduce further unnecessary cost and risk during transition process (for i & ii). This should only be contemplated as a very last resort.

About You

Name: **Matthew Cullen**

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	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 type="checkbox"/>	Other (please describe)

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**

B

Please state why.

We agree with the four criteria used to determine the best ownership model for Elexon (minimise disruption, avoid impacts on FSO timeline, preserve accountability to industry and maintaining operational independence and resilience to future change e.g. code reform, REMA).

It is our opinion that in the current environment of wider seismic changes to the energy industry, minimisation of disruption must be key and that whilst future market reform under REMA and subsequent code reform may change the remit of Elexon (and hence the need for resilience and adaptability to change), it is vital that any transition is as efficient and smooth as possible.

Over the next decade, it will be vital to give customers and investors' confidence that changes are being made to deliver Net Zero, but in such a way that will not disrupt current markets/services and that will keep investment risk/bills as low as possible. It is also key that Elexon remains an independent provider with no undue influence or bias (real or perceived) from Government or individual companies whilst retaining accountability to the industry.

Suppliers, generators and other participants have to have confidence that Elexon is being run on an objective and efficient basis, to avoid a situation where investment moves to other jurisdictions where investors feel more confident of having fair and transparent markets.

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**

B

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

Public ownership and industry ownership do appear to be the most sensible options for Elexon whilst continuing to operate as a not-for-profit company.

We agree that merging Elexon with the FSO threatens to make an already complex business restructuring even more difficult and hence risks the smooth operation of Elexon processes and services to industry. As highlighted in Q1, there could be perceptions of bias if a single private company already involved in the energy industry were to take ownership, and this should be firmly ruled out as an option in our mind.

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**

B

Please state why.

We believe that potential groups of industry parties who could own Elexon have been correctly identified and that having licensed parties as owners is probably the right option in that Ofgem retains a degree of control and oversight through licensing changes.

We are not convinced that this therefore means that the preferred option should only be generators and suppliers.

We note that Option 1 identifies licensed entity cohorts such as DNOs, and System Operators as well. Given the 'protected' status of some of these parties they are unlikely to become bankrupt due to pricing controls specifically designed to prevent this whilst generators and suppliers can become bankrupt (and have regularly done so over the last two years). It would seem sensible to have these monopolies included in any ownership structure to ensure consistency.

We do not believe that inclusion of all the parties listed within Option 2 would add any more complexity to the already complex negotiations that would be needed between generators and suppliers.

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**

B

Comments regarding ownership options and our preference:

Our preference would be for Elexon to be taken into industry ownership on the grounds that this model will provide for organisational independence and allow a range of parties to be involved in the ownership model. (Please see our preference highlighted in Q3, as Option 2).

We would welcome the earliest opportunity to review the proposed implementation plan, to ensure it delivers robustness in an optimum delivery time to ensure Elexon ownership is agreed in alignment with FSO plans. We do not believe that temporary transfer into public ownership before industry ownership is in the best interests of consumers, or industry, as further costs and complexities would be introduced.

We also have concerns with operating controls and obligations that would be likely to be placed on Elexon if it were to become a public body/entity. We believe these may hamper its ability to be agile and react swiftly in this highly volatile energy industry. Procurement, Freedom of Information (FoI) and employment are just some examples of controls that could prevent Elexon attracting the highest quality staff, moving quickly to purchase essential systems and tie up resource in putting in place non-essential (from an industry viewpoint) processes such as FoI.

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**

B

Please explain why:

Given that our preferred option is industry ownership we would reluctantly support temporary ownership into the public sector, but only as a last resort and where materially justified. Any temporary public ownership should be assessed on the merits of efficiency, service protection and overall cost avoidance for industry and ultimately end consumers, with a clear commitment on the period such arrangement (if needed) would exist for.

We would expect that the implementation plan provides sufficient time for a seamless transition of Elexon ownership into industry membership.

Question 6

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

Please provide your answer below:

Our belief is that there are no further changes required, to those already identified within the consultation.

We would welcome a statutory consultation on changes to regulatory codes, including necessary changes to the delivery of transfer of shares to another person/body, which suitably addresses the matter of limited liability under an industry ownership model.

Question 7

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

Please provide your answer below:

We agree with the identified necessary changes to the industry codes as a result of the change of Elexon ownership model.

In conjunction with Code Manager Reforms, we recommend that a consultation is undertaken regarding any liabilities arising from any breach, especially if the industry model is incorporated, and how this may impact shareholder members.

Question 8

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

Please provide your answer below:

We anticipate that the diligent consultation exercise will assess the costs and benefits of all the various models, encompassing transition costs to complete the change as well as forecasted enduring costs.

We would like to emphasise the importance of robust planning for implementation of the preferred Elexon ownership model. If an industry model is agreed, then we would expect the appropriate level of oversight and planning to ensure delivery is on time, without the necessity to transfer to public ownership.

As forementioned, over the next decade, it will be vital to give customers and investors confidence that changes are being made to enable and deliver Net Zero in a way that minimises disruption felt by current markets/services.

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