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Consultation Response: The Future Ownership of Elexon

BUUK welcomes the opportunity to respond to BEIS and Ofgem's consultation regarding the potential future ownership options for Elexon, published in July 2022. BUUK is the parent company of electricity distribution licensees, the Electricity Network Company ("ENC") and Independent Power Networks Limited ("IPNL") who operate as IDNOs mainly providing, owning, and operating connections to new developments across Great Britain. Additionally, BUUK, through its subsidiaries, builds, owns and operates gas transportation, district heating, water, wastewater and fibre networks.

We support BEIS and Ofgem's preference for a transfer of the ownership of Elexon from National Grid to the wider energy industry.

We believe that this will:

- Permit the expedited establishment of the FSO, which will be instrumental to encouraging greater flexibility in the market and the wider transition of the energy sector to meet the Government's net zero objectives.
- Make Elexon more accountable to industry parties, which is important as it takes on a greater role of overseeing the governance of more industry processes, including those that are relevant to electricity distribution networks.
- Replicates a known model that has worked successfully with other industry codes. An efficient approach that creates minimal administrative costs for code parties.
- Contains sufficient safeguards to protect industry parties from any liabilities that arise from Elexon activities.

- Keeps Elexon outside of the public sector, helping reduce administrative requirements on it, which should allow it to deliver its functions in support of industry parties in a more efficient manner.

We agree with the proposals from BEIS to limit the ownership of Elexon to licenced funding parties to the BSC. This is analogous to other industry codes and ensures that those parties most interested in the successful delivery of its services are given the option to be a shareholder.

Whether the option for shareholding is limited to electricity suppliers and generators or expanded to include licenced distribution and transmission networks is something that we do not have a strong view on.

One experience we would highlight from the establishment of previous industry code bodies is that some organisations may not be able or willing to become a shareholder, regardless of the safeguards that BEIS have provided. To facilitate the process, we would therefore suggest that this be a voluntary process for licenced suppliers and generators who are current parties to the BSC.

Elexon does oversee the governance of many processes that are important to the operation of electricity network companies and therefore we have a vested interest in ensuring that it continues to deliver a good quality of services to us.

If expanding the option of shareholding to other BSC parties would help ensure continued delivery of these services, and facilitate the establishment of the FSO, then this is something we would be willing to help BEIS and Ofgem with if needed.

Yours sincerely

Alex Travell
Head of Regulation

Responses to specific consultation questions:***Question 1: Do you agree with the proposed criteria to determine the future ownership of Elexon?***

Yes, the proposed criteria seem to be reasonable when assessing the options for the future ownership of Elexon.

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?

Yes, these options are the two most credible options. Others are potentially possible but extend the timescale and risk the objective of delivering a successful transition to the FSO.

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?

Yes, suppliers and generators are the parties most affected by the services provided by Elexon. It is therefore logical for these parties to become the nominal shareholders. There are a considerable number of licenced generators and suppliers, and they vary significantly in their organisational size.

We would therefore recommend that the option to become a shareholder of Elexon be on a voluntary basis for all licenced generators and suppliers who have acceded to the BSC and be made a future option for all new ones who become a party to it.

Question 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?

Yes, the option for industry ownership is preferable and reduces the future potential administrative burden and restrictions that would potentially impact on how efficiently it could deliver services for the industry.

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.

Yes, this is a viable alternative option. If the process for transition to an industry owned model proves challenging, then moving to a public sector solution should be considered. Using the new FSO would seem to provide a logical solution, if needed. It may future proof Elexon's ownership considering the options being considered in the forthcoming review of Industry Code governance.

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

If there is a reluctance for industry parties to engage and support BEIS in the delivery of the FSO (and wider industry code reforms) it may be pragmatic to include a transitional licence obligation to help co-operate and facilitate its delivery.

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

An obligation on licensees to facilitate the delivery of this transition may be preferable to one which obliges all generators and suppliers to own the BSCCo.

This would fit better with an approach to allow ownership to be voluntary and not create an enduring administrative burden on new entrants.

The proposed changes to the BSC code are sensible and will be needed to facilitate the transition. We would suggest that Elexon be tasked with drafting and raising the required BSC modifications.

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

Yes, the costs from the proposed change appear to have been considered in the consultation. These will include minimal administrative costs for BSCCo and the relevant organisations that would be asked to take a shareholding.