



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

About You

Name: Angela Love, Director of Future Markets and Engagement

Organisation (if applicable): Elexon

Address: 350 Euston Rd, London NW1 3AW

	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 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) Code Manager for the Balancing and Settlement Code (BSC)

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.

The consultation states the following four criteria to consider while determining the future ownerships of Elexon:

- 1) minimise disruption to Elexon's BAU operations, including on the BSC;
- 2) avoid disruption to the FSO delivery timeline;
- 3) preserve accountability to industry stakeholders and independence; and
- 4) ensure resilience to future change, including the impact of code reform.

We agree that the above criteria should all be considered when deciding 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, and why?

A ☒ **Agree** ☐ **Disagree**

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

We agree with the preferred option of the industry ownership and detail our reasons for it in answer to Q4.

We have significant concerns with the fall-back option of public ownership and detail these in answer to Q5. We believe there may be merit in considering a temporary transfer of

Elexon ownership back to National Grid Electricity Transmission as a more appropriate fall-back option.

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**

The consultation recommends that “the new shareholders be the licensed funding parties, generators and suppliers”. We broadly agree with this recommendation.

However, following extensive stakeholder engagement we believe that it would be beneficial to consider:

- Whether the ownership should be mandatory or voluntary. We would note that, under the recently established Retail Energy Code (REC) Company arrangements, whilst initial Parties to the Code were required to become owners of the company, we believe, going forward new Parties who accede to the REC will have a choice about whether to become owners
- How many owners would be required in the case of a voluntary ownership model
- Whether the new ownership model could be implemented in phases and start with a minimum core of new owners to get the ownership issue resolved much earlier, ensuring that there would be no need for the fall-back option

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 agree with BEIS/Ofgem analysis of the two main ownership options and the preference for industry ownership. Our preference for industry ownership is for the following reasons:

- Elexon will retain its strategic and operational independence from the ESO (FSO), which has always been valued by the industry
- Elexon accountability to the industry will be strengthened by having BSC Parties as owners of the company
- Industry ownership is a familiar, tested model, with a number of other codes being owned by a range of industry stakeholders, including the most recently introduced REC code
- Industry ownership would be simpler to introduce and cause 'least disruption' to Elexon operations and delivery of major change programmes for the industry. At the present time the company is delivering the Market-wide Half Hourly Settlement Programme on behalf of the industry and, subject to the current modification being approved, is also developing the solution to support the Electricity Price Guarantee scheme for the Government
- The federated model being more easy to introduce will also help Elexon to focus on delivering value and independent impartial advice to the industry, Ofgem and BEIS
- Industry ownership is also likely to preserve Elexon's existing ethos and culture, ensuring the current service delivery levels

We detail our thinking on the temporary fall-back option of public ownership in Q5.

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:

There are several reasons why we disagree with an option of a temporary transfer into the public sector:

- The main element being - Elexon independence - in looking at the responses to the FSO consultation and from feedback we have received the industry has advised that they really value Elexon's independence and that is Elexon being independent of any one faction of industry and of Government. We believe that independence could be lost under even a temporary transfer to the public sector
- Additional controls and requirements placed on public bodies could hinder or slow down operational processes, speed of response, and progress of the major change programmes that Elexon delivers for the industry
- There would be an unnecessary inefficient additional burden on all parties involved to temporarily put in place those controls and requirements, for them only to be needed for a short period of time, which would result in wasted time and effort. This is all at a time when the industry is already strained by the on-going energy market crisis, several large-scale change initiatives in addition to a number of newly announced major reviews
- The costs of adopting the controls and requirements and of, in effect, having a two stage approach, would fall on Generators and Suppliers, as BSC funding Parties. This means ultimately that this cost would be borne by consumers at a time when energy bills are already at record levels

We do recognise why BEIS/Ofgem has suggested a fall-back option, in the event the preferred option (industry ownership) cannot be implemented in step with the FSO transition. However, industry parties have raised with us as a possibility that a temporary option of transferring Elexon ownership to National Grid (NGET) should be considered. The reason for this suggestion is that NGET used to be the owner of Elexon prior to the legal unbundling of the System Operation activity in National Grid. In comparison with the public ownership option, we believe, the temporary transfer to NGET could be achieved in a speedy and efficient way.

Question 6

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

Please provide your answer below:

We agree with your assessment of the changes required to implement the preferred option, which involve three main categories of activities as detailed in the consultation: industry engagement, licence changes and code changes.

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 proposed licence and code changes listed in the consultation document.

Question 8

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

Please provide your answer below:

Throughout the consultation period, we had over 40 engagement sessions with the potential new owners of Elexon to understand any concerns they may have and gather any questions so that we can address those.

The following few considerations came up consistently in our conversations:

- Liabilities placed on owners – how to ensure the future owners are not exposed to additional liabilities as a result of ownership of Elexon, as opposed to their currently liability as BSC funding parties. In addition, and specifically, concerns were raised about potential penalties and fines that might be placed on Elexon as a Code Manager, given the expectation that the Codes Review is expected to propose licensing of the Code bodies, which we believe would cover Elexon
- Pensions – would industry, as owners of Elexon, be responsible for the pension liability that Elexon has in relation National Grid's Defined Benefit pension scheme - although it is worth noting that Elexon has a small number of employees on the scheme
- As discussed above, whether there could be an option to move Elexon's ownership to a small set of owners in the first instance to expedite the process and bring on other owners at a later stage. This was seen as a means of ensuring that there was no need for a fall-back option
- Mandatory or voluntary share ownership – a number of potential new owners noted that there could be companies who are unable, because of their constitution or funding arrangements, to own shares in another company. Therefore there may be a requirement to consider whether the share ownership should be mandated.

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.

Elexon is committed to working together with the industry, BEIS and Ofgem to implement the new ownership model, whichever model BEIS/Ofgem determine as the solution at the end of the consultation process.

We are fully committed to working closely together with the new owners to introduce the changes in a timely and efficient way, seeking to minimise costs as much as possible.

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