

MCS Foundation response to the BEIS question on the 'The future ownership of Elexon'

Background

The Government and Ofgem response to the consultation on the Future System Operator set out our commitment to proceed with the creation of the Future System Operator (FSO). The FSO will be established in public ownership and will therefore require a transaction between government and National Grid plc (and any other relevant parties). Elexon is an independent entity, however it is wholly owned by National Grid Energy System Operator (NGESO). Given the creation and public ownership of the FSO, the ownership of Elexon will also change. Therefore, we are consulting to gather evidence and views to help us decide what the best ownership structure for Elexon would be. Elexon is widely considered to be an effective industry body. We are not consulting because we want to reform Elexon's roles or its day-to-day governance. We are consulting on how best to structure the ownership of Elexon to ensure its current successful work can continue.

<https://www.gov.uk/government/consultations/the-future-ownership-of-elexon>

The deadline for responding is 22 September 2022 and to respond via email to: Email to: futuresystemoperator@beis.gov.uk and SOreview@ofgem.gov.uk

Submission by **David Cowdrey**

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MCS Charitable Foundation

Our vision is to decarbonise homes, heat and energy in helping to deliver a net zero future To help avert the worst impacts of climate change. As a Foundation we work to increase public confidence, awareness and access to renewable energy and zero carbon solutions across the UK. We support education and engagement programmes, fund research and facilitate innovative solutions to drive widespread adoption of zero carbon technologies. In addition, the MCS Foundation oversees the [Microgeneration Certification Scheme \(MCS\)](#) which defines, maintains and improves quality standards for renewable energy at buildings scale.

MCS (Service Company Ltd)

Since 2008, MCS has been the only recognised Standard for UK products and their installation in the small-scale renewables sector. It is a mark of quality. We create and maintain standards that allows for the certification of low-carbon products and installers used to produce electricity and heat from renewable sources. We are impartial: technology neutral, manufacturer neutral, and supportive of Installers committed to quality installations and consumer protection. Membership of MCS demonstrates adherence to recognised industry standards, highlighting quality, competency and compliance. Our mission is to give people confidence in low-carbon energy technology by defining, maintaining and improving quality.

Consultation Questions

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

The current consultation only offers two models as options, while highlighting other potential models in the narrative. MCS would support the model which merges Elexon into the FSO as one body. This public ownership model would require few if any changes to the existing governance structure, data sharing provisions and mandatory activities of Elexon outlined within the BSC, allowing it to continue its business as usual operations. It also saves creating an artificial ownership model, as a wholly owned subsidiary of the FSO by merging it into the FSO and would be preferable to any form of industry ownership. It would also avoid any disruption to the FSO delivery timeline outlines in the consultation.

- 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?**

MCS would support the public ownership of Elexon within the FSO. We agree that the two Elexon subsidiaries should be transferred into new ownership with their parent company, Elexon Ltd. One of the main considerations is this option will have minimal operational disruption, be the quickest and simplest option, allow the transfer of existing data, without breeches to data protection and would present the best seamless option under public ownership.

- 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.**

No. To have, what is in effect a watch dog which monitors industry performance owned by the very industry it is watching and to then hold them accountable, when one or more of those industries may have a vested interest would bring into question Elexons very independence and ability to hold the industry accountable. There should be no industry ownership of Elexon.

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

See answers to questions 2 and 3

- 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.**

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

Yes. MCS would support the third option which merges Elexon into the FSO as one body. This public ownership model would require few if any changes to the existing governance structure, data sharing provisions and mandatory activities of Elexon outlined within the BSC, allowing it to continue its business as usual operations.

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

We support the intention to create a new governance framework for the energy codes. We support Ofgem being granted new strategic code functions, which will include the ability to establish and regulate (via licence) one or more code manager(s).

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

There is a bias in the consultation document towards industry ownership and we would observe that all the options have not been considered. The options presented are very limited (just two), but would caution against the industry ownership route.

The Water industry in the past was both watchdog and service provider and in the end needed to be separated when the National Rivers Authority was formed, which helped improve water quality and allowed the watchdog to really function and to work independently.

Looking at historic precedent and to prevent the same cycle of industry ownership would be in the best interests of the sector, especially as we move forward and therefore we would like to see an truly independent Elexon, that sits within the FSO, under public ownership.