



04 October 2023

**Robert Clay**

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Dear Robert,

**New electricity supply and generation licence conditions to implement new ownership arrangements for Elexon**

Thank you for the opportunity to respond to Ofgem's Elexon ownership consultation regarding proposed new electricity supply and generation licence conditions issued on 5<sup>th</sup> September 2023.

This response is on behalf of the parties listed below:

- E.ON Next Energy Limited
- E.ON UK Energy Markets Limited
- E.ON UK plc

Our response is non-confidential.

**Executive Summary**

The joint Elexon ownership decision document dated March 2023 identified E.ON as one of the organisations to join the cohort of prospective industry shareholders. We have enjoyed thus far positive dialogue with the Department for Energy Security and Net Zero, and the wider Future System Operation Team at Ofgem.

Our consultation response reflects and is consistent with previous bi-lateral discussions constructively held between all parties concerned.

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We would like to make the following key points, whilst at the same time refer you to our feedback and points raised previously in our letter dated 23<sup>rd</sup> June 2023 (Elexon Legal Package):

- in theory, there could be a **scenario where the new shareholders are 'Last Man Standing' meaning that pension liabilities will fall to the "ownership" shareholders, and not the BSC funding parties.**

We seek your support and agreement to include narrative within the proposed licence condition for the Secretary of State to provide for a guarantee or cap on pension liability to ensure that no such liability can fall to the new proposed shareholders. This would be exercised only in exceptional circumstances for example such as a change in Elexon business model or mass exodus of market participants.

- in addition, our previous request for the Deeds of Participation remains outstanding. We would welcome a copy of this.

For our full response to the consultation questions please see Appendix A (which follows).

For our comments concerning the draft licence condition text for electricity supply and generation licences please see Appendix B (which follows).

If you have any questions on any points of our response or wish to discuss any points raised further please contact in the first instance either Gavin Morris ([gavin.morris@npower.com](mailto:gavin.morris@npower.com)) or Robert Finch ([robert.finch@npower.com](mailto:robert.finch@npower.com)).

Yours sincerely



Robert Finch  
Head of Regulation, Policy and Compliance  
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For and behalf of E.ON UK plc

## Appendix A: Consultation Questions

| Question  | E.ON Response   |
|---|---|
| <p><b>Q1. Do you agree with our proposed approach to implementation, including our proposal for flexibility?</b></p>  | <p>Yes, we support.</p> <p>We strongly agree with the proposal for flexibility in conjunction with a transfer of shares applicable to those proposed shareholders identified within the March 2023 joint Elexon ownership decision.</p>   |
| <p><b>Q2. Are there any other factors that we should consider to enable successful implementation?</b></p>            | <p>Successful implementation, and importantly, ongoing successful Elexon ownership requires collaboration between all parties.</p> <p>As an organisation listed within the March 2023 joint Elexon ownership decision we continue to engage with DESNZ and Ofgem to work collaboratively towards a successful implementation.</p>   |
| <p><b>Q3. Do you agree that the approach taken in the proposed licence condition serves the purpose required?</b></p> | <p>We agree with the proposed narrative outlined in the draft licence condition.</p> <p>In addition, we seek your support and agreement to include narrative within the proposed licence condition for the Secretary of State to provide for a guarantee or cap on pension liability to ensure that no such liability can fall to the new proposed shareholders. This would be exercised only in exceptional circumstances for example such as a change in Elexon business model or mass exodus of market participants.</p> |
| <p><b>Q4. Do you have any additional comments on the proposed licence condition?</b></p>                              | <p>No further comments on the proposed licence condition.</p> <p>We require timely provision of information to allow for internal governance and approvals to be obtained, no later than 2 months in advance of the transfer take effect date.</p> <p>We would welcome receipt of an updated project plan to reflect the timing of when all the necessary and associated details can be shared with the new proposed shareholders.</p>  |

**Appendix B: Draft licence condition text for electricity supply and generation licences**

| <b>Draft licence condition text for electricity supply and generation licences</b>  |
|---|
| <p>Section xx. Standard Licence Conditions<br/>Condition xx: Elexon ownership</p> <p><b>Obligation to own shares in Elexon:</b></p> <ol style="list-style-type: none"><li>1. The licensee must hold one share in Elexon if they are directed to do so by the Secretary of State or the Authority with effect from the date specified in the direction.</li><li>2. The licensee may delegate any responsibility for holding a share in Elexon to one of their wholly owned affiliates that is a signatory to the BSC.</li><li>3. Where the responsibility for holding a share in Elexon is delegated in accordance with paragraph 2, the licensee must inform the Secretary of State and the Authority of the name of the party to whom responsibility is delegated, and they must inform the Secretary of State and the Authority if the responsibility for holding a share is delegated to another wholly owned affiliate of the licensee in future.</li><li>4. The Secretary of State and the Authority may issue a direction suspending any requirement on the licensee to hold a share in Elexon.</li><li>5. The Secretary of State or the Authority may issue a direction to end the suspension set out in paragraph 4, requiring the licensee to hold a share in Elexon again with effect from the date specified in the direction.</li></ol> |
| <b>E.ON Response</b>  |
| <ul style="list-style-type: none"><li>• We agree with the Obligation to own shares in Elexon narrative [points 1-5].</li><li>• In addition, we seek your support and agreement to include narrative within the proposed licence condition for the Secretary of State to provide for a guarantee or cap on pension liability to ensure that no such liability can fall to the new proposed shareholders. This would be exercised only in exceptional circumstances for example such as a change in Elexon business model or mass exodus of market participants.</li></ul>  |