

Robert Clay
10 South Colonnade,
Canary Wharf,
London,
E14 4PU

4 October 2023

Dear Robert,

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

EDF is the UK's largest producer of low carbon electricity. EDF operates low carbon nuclear power stations and is building the first of a new generation of nuclear plants. EDF also has a large and growing portfolio of renewables, including onshore, offshore wind and solar generation, and energy storage. With around six million electricity and gas customer accounts, including residential and business users, EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

We welcome the opportunity to respond to this consultation on the proposed supply and generation licence conditions to implement new ownership arrangements for Elexon. We assume that the change of the ownership structure of Elexon will not affect its existing accountability to its customers and that Elexon will continue to be a not-for-profit entity. The key points we wish to highlight are set out below:

- We continue to support the establishment of the Future System Operator and acknowledge that moving Elexon to Industry Ownership is designed to support the creation of this new entity.
- We welcome the proposal for additional implementation flexibility and discretion in respect of which entity holds the licence obligation, and which entity discharges the obligation to hold a share on behalf of the licence holder.
- There is still the outstanding liability issue due to credible future changes that has not yet been resolved and we would welcome an update. Specifically, Government has recommended a number of changes to Energy Codes, including the licensing of code bodies. Potential changes from this reform could impact the liabilities of Elexon shareholders and it will be necessary to provide protection to industry against liabilities that otherwise could arise from this separate reform.

EDF Energy Ltd
90 Whitfield Street
London W1T 4EZ
Tel +44 (0) 00 0000 0000

[edfenergy.com](https://www.edfenergy.com)
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Registered in England and Wales
Registered No. 2366852
Registered office: 90 Whitfield Street
London W1T 4EZ

- Finally, we have raised a number of queries with Government and Ofgem in relation to the increased costs that will be passed to consumers if National Grid does not retain the responsibility for managing Elexon's pensions scheme. It is not clear that this arrangement needs to change as part of this revised ownership and indeed would be detrimental to consumers.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact me or Natasha Ranatunga on 07875 112 981.

Yours sincerely

A handwritten signature in dark ink, appearing to read "Mark Cox".

Mark Cox
Head of Nuclear & Wholesale Policy and Regulation

Q1. Do you agree with our proposed approach to implementation, including our proposal for flexibility?

We welcome the proposal for additional implementation flexibility and discretion in respect of which entity holds the licence obligation, and which entity discharges the obligation to hold a share on behalf of the licence holder.

We would welcome clarification as to why the entity which discharges the obligation must be a wholly owned affiliate. We understand for the purposes of the initial shareholding parties this is because Ofgem and Government believe that this will expediate the process to transfer Elexon ownership.

Q2. Are there any other factors that we should consider to enable successful implementation?

Currently the Elexon's pensions scheme is managed by National Grid, despite National Grid having no control or liability over Elexon. To date there has been no clarity on what the proposals are for managing the pensions schemes of Elexon employees following change of ownership.

We do not believe that it would be necessarily practical, efficient, and proportionate for Elexon to be required to create and maintain pensions schemes following the separation of Elexon from National Grid. We believe that the least cost option for end consumers is for National Grid to retain management of the pension schemes of Elexon employees. Unlike other direct business costs that Elexon is well placed to manage which will be passed through to BSC funding parties, pensions costs and historical pension liabilities are complex and a disproportionate issue for Elexon as a standalone entity to manage.

Ultimately, these costs and liabilities are to be passed on to the end consumer, and therefore Government and Ofgem need to ensure that the most effective and least cost approach is being taken,

Q3. Do you agree that the approach taken in the proposed licence condition serves the purpose required?

The purpose of the proposed licence condition is to create an obligation on the licensee to own one share in Elexon, when directed to do so by the Secretary of State or the Authority. The draft licence condition text for electricity supply and generation licences as set out in Appendix 2 appears to set this out.

Q4. Do you have any additional comments on the proposed licence condition?

No.