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Commercial Asset Optimisation

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Swindon, 04/10/2023

Consultation on Licence Conditions to Implement New Ownership Arrangements for Elexon

Dear Robert,

RWE is a leading global energy player, with a 38 GW global generating capacity. With its strategy 'Growing Green' (announced in November 2021) RWE expects to invest €50 billion gross in its core business globally - an average of €5 billion gross each year for offshore and onshore wind, solar, batteries, flexible generation and hydrogen.

In the UK, RWE is one of the largest power producers, accounting for around 15% of all electricity generated across a portfolio of onshore wind, offshore wind, hydro, biomass and gas, amounting to over 10 GW pro rata (12 GW installed capacity) - enough to power over 10 million UK homes.

RWE is also one of the largest renewables generators in the UK, with a combined installed capacity of over 2.79 GW (pro rata) (4.8 GW installed capacity.) across our onshore wind, offshore wind, hydro and biomass assets. In addition to its growing renewables portfolio, RWE operates around 7GW of modern and efficient gas-fired capacity in the UK, making us one of the largest providers of firm flexible generation, which is crucial for security of supply.

Overall, and including its committed investments in projects already under construction, RWE expects to invest up to £15 billion in new green technologies and infrastructure in the UK by 2030 and is committed to support meeting the UK governments policy objectives of net zero in the power sector by 2035.

We welcome the opportunity to comment on the proposed licence conditions outlined in the consultation dated 5th September ("the Consultation"). This response is provided on behalf of RWE Generation UK plc and is non-confidential.

Our responses to the specific questions on the consultation are set out below.

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Share Capital:
EUR15,030,000.00

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Proposed approach to implementation

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

RWE notes the three underpinning principles (i) funding share in Elexon will be a driver of an obligation to hold a share (ii) the obligation to hold a share will be enshrined in a licence condition and (iii) there will be flexibility as to which entity holds the licence obligation and which entity discharges the obligation. RWE believes as proposed, the most sensible option is for Elexon to remain in industry ownership. RWE agrees that after the initial transfer to the 13 funding parties, other licensees being funding parties should have a voluntary option to request a share in Elexon.

RWE also believes that flexibility is essential in order to accommodate different corporate structures to enable an intended shareholder to be able to delegate legal responsibility for holding a share to a corporate affiliate with the relevant licence where it is expedient to do so, for instance where it is preferable for that affiliate to have the day to day responsibility for holding a share, including the associated administrative requirements to another corporate affiliate.

RWE welcomes the Department and Ofgem working with affected parties and allowing adequate time for parties to prepare to comply with an anticipated direction to hold a share, in particular to enable a party to obtain its own internal approvals

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

Ensuring an unambiguous interface with the provisions of the Energy Bill will be fundamental, given the mechanics of this proposal are being formulated prior to the Energy Bill receiving Royal Assent

Proposed Licence Conditions

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

The approach taken in the proposed licence condition broadly serves the required purpose, however RWE notes that there is no reference to the exit arrangements, more specifically the draft text is silent on the options for the issuance of new directions and delegations for exit scenarios.

4. Do you have any additional comments on the proposed licence conditions?

We set out below some further observations and queries on the definitions:-

“Designated party” – clarification is required on the wording “*This may be the same as the directed party*”. If a party has been designated, they have been designated and become a designated party because they are an affiliate of a directed party;

“wholly owned affiliate” – references to “other party” and “companies”, are confusing; yet there are no references to “directed party” and “designated party”;

“qualifying threshold” – suggest some amendments to the drafting:
“for the initial cohort, this is a BSC party with a funding share of over 2%- as of January 2023. In circumstances where the Secretary of State or the Authority decide to top up, the qualifying threshold will be met if the party is one of the 13 BSC parties with the largest funding shares which will be assessed against the most recent annual data as reported monthly at that time”

If you have any questions relating to the above, please do not hesitate to get in touch.

Yours sincerely,

Raoul Thulin
RWE Supply & Trading GmbH

By Email