



21 February 2024

Future System Operation  
Office of Gas and Electricity Markets  
10 South Colonnade  
Canary Wharf  
London E14 4PU

cc. Electricity Governance Reform  
Department for Energy Security & Net Zero

Issued by email only

Dear Sir/Madam,

### **The Future Ownership of Elexon Licence and Code Consultation**

Thank you for the opportunity to respond to the DESNZ and Ofgem Future Ownership of Elexon Licence and Code consultation regarding proposed new electricity supply and generation licence conditions and Balancing and Settlement Code (BSC) changes issued on 24<sup>th</sup> January 2024.

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**

Since the joint Elexon ownership decision<sup>1</sup> we have had good engagement with the DESNZ and the wider Future System Operation Team at Ofgem. We broadly endorse many of the policy decisions being made, and we believe these will strengthen the Future Ownership of Elexon model.

Throughout our collaborative discussions, and consultation responses in 2023, we have expressed pension liability concerns.

In order to provide assurance to our Board of Directors and Shareholders and as indicated in your Frequently Asked Questions document dated 4 December 2023, we would request the following statement to be made in your BSC policy intent consultation response section for Shareholder Liabilities & Costs and in your summary of the Elexon Transfer Scheme consultation response:

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<sup>1</sup> March 2023. This identified E.ON as a party with a Qualifying Share in Elexon.

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***"The Department for Energy Security & Net Zero confirms that there is no intention for the pension costs, liabilities or risks of Elexon to be passed to the new shareholders (in their capacity as shareholders)."***

Please refer to our Appendix A. for further comments relating to

- The policy approach
- Draft Licence Condition
- BSC Modifications

If you have any questions or queries please contact Gavin Morris ([gavin.morris@npower.com](mailto:gavin.morris@npower.com)).

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Robert Finch', written over a light blue rectangular background.

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

## Appendix A: E.ON's comments on the policy approach and intent

Theme	E.ON Response
<b>The Policy Approach</b>	
Definitions	We agree with the proposed Definitions.
Licence & Code Text	We agree with the proposed Licence Condition.
Flexibility	We agree with the concept of flexibility i.e. a party is able to transfer Elexon share responsibility to another wholly owned affiliate within its group.
Exit Arrangements	We agree with the policy intent for exit arrangements.
Topping Up	We agree with the policy intent for topping up.
Shareholder Liabilities and Costs	<p>Please refer to our comments under the Executive Summary regarding references to pension liability costs being formally recognised in your BSC policy intent consultation response section for Shareholder Liabilities &amp; Costs:</p> <p><b><i>"The Department for Energy Security &amp; Net Zero confirms that there is no intention for the pension costs, liabilities or risks of Elexon to be passed to the new shareholders (in their capacity as shareholders)."</i></b></p>
<b>Appendices: Licence Condition, BSC Policy, BSC narrative</b>	
Appendix 1 – Licence Condition	We agree with the proposed narrative outlined in the draft licence condition.
Appendix 2 – Licence Condition explanatory text	
Appendix 3 – Policy on the BSC	Please refer to Shareholder Liabilities and Costs.
Appendix 4 - Section C of the BSC	We agree with the proposed changes to BSC Section C.
Appendix 4 - Section X-1 of the BSC	We agree with the proposed changes to BSC Section X-1.
Appendix 4 - Elexon's Articles of Association	We agree with the proposed changes to Elexon's Articles of Association.
Appendix 5 – Privacy Notice	n/a