

ELEXON

22 September 2022

By e-mail to: futuresystemoperator@beis.gov.uk and SOreview@ofgem.gov.uk

Dear Electricity Systems Team,

Re: The future ownership of Elexon consultation

Thank you for the opportunity to respond to your consultation on the future ownership of Elexon.

Elexon is the Code Manager for the Balancing and Settlement Code (BSC), which facilitates the effective operation of the electricity market. We are responsible for managing and delivering the end-to-end services set out in the BSC and accompanying systems that support the BSC. This includes responsibility for the delivery of balancing and imbalance settlement and the provision of assurance services to the BSC Panel and BSC Parties (energy Suppliers, generators, flexibility service providers and network companies).

We manage not just the assessment, but also the development, implementation and operation of changes to central systems and processes. In addition, our expertise is available to support the industry, government and Ofgem in considering future changes and innovation against the existing industry rules, for the benefit of the consumer. Elexon is a not-for-profit company, set up as an arms-length subsidiary of National Grid ESO (Electricity System Operator) and as such we caught up in the Government's decision to move National Grid ESO into public ownership. This is the reason for this consultation.

Elexon also has a subsidiary, EMR Settlement Ltd, through which we calculate, collect and distribute payments to Contract for Difference (CfD) generators and Capacity Market (CM) providers, on behalf of the Low Carbon Contracts Company (LCCC). These services are provided to LCCC through a contract and on a not-for-profit basis.

We appreciated the opportunity to respond to the consultation and also the proactive and positive way in which the BEIS and Ofgem teams have engaged with us during the development of the consultation. During that process we have provided BEIS/Ofgem with our views on the feasibility of achieving desired outcomes and are grateful that BEIS/Ofgem took our views into account.

We have undertaken a thorough programme of engagement with the industry to ensure that they were aware of the consultation, explain the detail and background to it and understand any concerns, questions and additional considerations that they may have. We have used our engagement activity to gauge the industry's views and ensure that the federated model is not something that they are opposed to and to understand any challenges that may arise in implementing such an arrangement. Ultimately it is our goal to devise an implementation plan

that can help achieve the new ownership model in the most efficient and effective way for all parties involved.

As detailed in our response below, the following are the most frequent questions and additional considerations that we have gathered from our engagement with the industry:

1. **Additional considerations on the industry ownership model:**
 - Whether the ownership should be mandatory or voluntary
 - How many owners might be required in the case of a voluntary ownership model
 - Whether the new ownership model could be implemented in phases and start with a minimum core of new owners to get the ownership issue resolved much earlier
2. **Fall-back ownership model** – industry parties have raised with us as a possibility that a temporary option of transferring Elexon ownership to National Grid (NGET) should be considered.
3. **Liabilities placed on owners** – how to ensure the future owners are not exposed to additional liabilities as a result of ownership of Elexon, as opposed to their currently liability as BSC funding parties. In addition, and specifically, concerns were raised about potential penalties and fines that might be placed on Elexon as a Code Manager, given the expectation that the Codes Review is expected to propose licensing of the Code bodies, which we believe would cover Elexon
4. **Pensions** - would industry, as owners of Elexon, be responsible for the pension liability that Elexon has in relation National Grid's Defined Benefit pension scheme

If you would like to discuss any areas of our response, please contact Angela Love, Director of Future Markets and Engagement on 020 7380 4156, or by email angela.love@elexon.co.uk or Alina Bakhareva, Head of Strategy, External Affairs and DA on 020 7380 4160, or by email at alina.bakhareva@elexon.co.uk

Yours sincerely,



Simon McCalla
Chief Executive