

## Elexon's governance and change in ownership

### Summary

The change in ownership will not impact on Elexon's governance and its ability to successfully implement its role as the market facilitator if appointed.

### Preface

During our engagement with stakeholders on the role of market facilitator, several stakeholders asked Elexon for information about Elexon's current governance arrangements and how the new ownership could influence the governance going forward. In the following paragraphs we provide a high-level overview of our governance and explain whether and how the change to ownership could impact future arrangements. This note is focused on the governance of Elexon and not the BSC more generally (i.e. it does not comment on the BSC Panel arrangements which are not impacted in any way through Elexon's change of ownership). The BSC Panel's oversight of the BSC arrangements remains unchanged.

### Elexon Board and Executive Team

Elexon is governed by the Elexon Board, who, like all company boards, oversee the strategic and operational delivery to ensure an outstanding service for our customers. They also review overall management of the organisation and are responsible for ensuring that the necessary financial and human resources are in place for the company to meet its objectives, including approving the company's budget and that Elexon's obligations to its stakeholders, including BSC Parties, are met.

The Board is chaired by an independent Chair (who also chairs the BSC Panel), and is comprised of three industry Non-Executive Directors, two Independent Non-Executive Directors and Elexon's CEO. The members of the Board have a strong mix of multi-disciplinary experience and a composition that follows corporate governance best practice. The Elexon Board is ultimately accountable to BSC Parties<sup>1</sup>.

Elexon's Executive Team are responsible for the company's day-to-day management<sup>2</sup>. They work with the Board, the BSC Panel and Elexon's colleagues to ensure the successful delivery and development of the Balancing and Settlement Code (BSC) and other strategic programmes that Elexon delivers.

### The BSC Panel structure and role

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<sup>1</sup> [Elexon Board - Elexon](#)

<sup>2</sup> [Executive Team - Elexon](#)

The BSC Panel is a group of industry experts, consumer representatives and non-industry members. All BSC Panel members are required by the BSC to act impartially and not as representatives of any organisation/sector. The Panel's role is to govern the BSC and ensure that all Parties comply with the code's rules<sup>3</sup>. The Panel also assesses BSC rule change proposals (called Modifications) and votes on whether to approve or reject a Modification. The BSC Panel model is frequently cited as one of the better models for ensuring broad representation of stakeholders to feel they are engaged, and their views understood within the code panel.

### Elexon's future ownership

As Elexon is currently owned by NGEN, the creation of the FSO (future NESO) as a publicly owned entity required DESNZ and Ofgem to publish a series of consultations on the Future ownership of Elexon<sup>4</sup>. The change of NGEN into public ownership means that maintaining the status quo ownership model is not possible. As outlined in the previous paragraphs, Elexon is controlled by its own Board and is accountable to the industry, with the BSC Panel overseeing BSC arrangements. As also noted by DESNZ in the March 2023 consultation document<sup>5</sup>, since NGEN exerts no control over Elexon in its capacity as shareholder, the creation of the FSO/NESO should not in itself impact significantly on Elexon's role, operations, funding, or governance.

It should be noted that Elexon has always been strategically, operationally and financially independent from its current parent company, NGEN. Elexon's independence is codified in the BSC, including specifically in C2.3 which prevents NGEN from taking any steps as Elexon's shareholder (other than to give effect to the BSC). The same restrictions will apply to Elexon's new shareholders following the change of ownership, meaning that Elexon will retain its independence and neutrality after the transfer. It should be noted that these BSC obligations are underpinned by licence obligations on Elexon's new shareholders to comply with the BSC.

Elexon will therefore remain an industry body with its shares held by a subset of the industry parties that fund it and the composition, roles, responsibilities, and ways of operation of Elexon's Board, Executive team and the BSC Panel will not change because of the outcomes of the consultation and change of ownership.

### **Conclusions**

In light of the above, the change in ownership will not impact on Elexon's governance and its ability to successfully implement its role as a market facilitator if appointed.

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<sup>3</sup> [BSC Panel - Elexon BSC](#)

<sup>4</sup> [The future ownership of Elexon: new electricity supply and generation licence conditions and Balancing and Settlement Code changes | Ofgem](#)

<sup>5</sup> [Future ownership of Elexon: licence and code changes - GOV.UK \(www.gov.uk\)](#)