

Call for evidence questions

Some questions in this call for evidence are aimed at specific types of stakeholder based on the type of organisation they represent. Please respond only to the questions relevant to your type of organisation as directed.

Question no	Question
Question 1:	<p>What is the name of your organisation?</p> <p>Elexon Limited</p>
Question 2:	<p>What type of organisation are you?</p> <p>a) Regulator, standards body or similar type of organisation b) Business organisation (either a company or a business representation group or trade association) c) Other</p>
Question 3:	<p>Please provide some brief background on the role, remit or purpose of your organisation.</p> <p>We are key to the successful running of the electricity industry. Our expertise and insight – along with our 20 years of experience – allows companies to trade, supply and operate within the market. As a trusted, independent and reliable market expert we continuously look to evolve and innovate so that customers and consumers can feel the benefit. We are a not-for-profit entity, funded by electricity market participants. Any funds we have left over from our budget is always returned to market participants.</p> <p>Elexon manages the Balancing and Settlement Code (BSC), a multi-party contract that sets out the ground rules for the electricity system in which suppliers can purchase electricity from the generator of their choice, and consumers can choose which supplier provides them with power. It is signed by the companies that operate in Great Britain’s wholesale electricity market. The code takes into account the fact that contracts can be agreed between generators and suppliers in advance, but no one really knows precisely how much power will be generated or used until the moment it all plays out in real life. The BSC makes sure that payments for imbalances in wholesale electricity supply and demand are settled accurately. These payments act as an incentive for suppliers and generators to help keep the electricity system in balance.</p> <p>Elexon provides an ‘end-to-end’ management service for the BSC. This means it offers a full range of services from helping companies to enter the market, to making sure that they’re meeting the rules of the BSC once they’re operating in it.</p>
<p><i>If you answered A (regulator, standards body or similar type of organisation) in response to question 1, please answer the following questions. These questions (number 4 – 6) are for these organisations only.</i></p>	
Question 4:	<p>What international regulatory cooperation initiatives, if any, does your organisation undertake? Please provide a comprehensive overview.</p>

This may include, for example, participation in international forums, membership of international networks, being involved in the development of international standards or instruments, formal cooperation with international organisations or counterparts (through a Memorandum of Understanding for example) and international enforcement initiatives. Note this list is not exhaustive.

The electricity industry is governed by both domestic and European legislation. As such, we have several years' experience in interpreting EU legislation and essentially 'translating' it into the BSC. However, this is normally the end of the journey.

We are an associate member of Europex - a trade body for European Power Exchanges; as well as the Association of Power Exchanges (Apex) - an international trade body that meets annually to exchange ideas and thoughts on contemporary issues around the world. Through our membership of Europex we have a seat on the Market European Stakeholder Committee of ENTSO-E (European Network of Transmission System Operators (TSOs) for Electricity – represents 42 TSOs across Europe and exists by virtue of Legislation).

We regularly attend ENTSO-E workgroups as a Designated Operator in support of National Grid Electricity System Operator (NGESO) – a role that we help enshrine into EU legislation following discussion/lobbying via Europex. This involves workgroup participation to help develop policy and legislation as well as energy system development and (pre-Covid) regularly travel to Ljubljana, Slovenia to attend meetings at the Agency for Cooperation of Energy Regulators – an EU body to coordinate the work of National Regulatory Authorities (Ofgem for the GB energy market).

Obviously, this interaction will change from 1 January 2021 onwards but, regardless of the FTA negotiation outcomes, we will still be a member of Europex and able to offer thoughts on proposed legislation via them.

In addition to our engagement with European bodies and counterparts we regularly assist the Foreign, Commonwealth and Development Office by meeting with, and briefing representatives from many non-European countries with regard to energy market design and management.

Question 5:

In your experience, what are the challenges for regulators, standards bodies and similar organisations in engaging in international regulatory cooperation initiatives?

The majority of our interaction with similar international organisations is via European bodies. The fact that these exist via legislation means it is relatively easy for us to engage. However, the biggest issue we encountered when starting to engage in the European sphere was being recognised. EU legislation refers to TSOs and until relatively recently, didn't recognise Designated Operators.

We overcame this challenge by engaging the Commission via Europex as well as working with NGESO. Based on this experience, we would say that the main challenge for regulators, standards bodies and similar organisations is being able to connect with the right people in the right organisation.

Language has not been an issue for us, as all EU business is conducted in English, as is Apex. However, this may not be the case for all regulators, standards bodies and similar organisations.

<p>Question 6:</p>	<p>How can the government support regulators, standards bodies and similar organisations in undertaking international regulatory cooperation through the development of a strategy?</p> <p><i>For example, what guidance, information or training could be made available. Please also identify other ways that the government could provide support.</i></p> <p>Any strategy to develop IRC should be tied to FCO engagement and form part of any future trade agreements. To be fully effective, we would suggest that regulators, standards bodies and similar organisations should be engaged either before or during negotiations to understand how any future treaties and/or trade agreements may impact their work.</p> <p>Any future IRC strategy should have the aim of achieving parity in standards and rules between the UK and other nations. Achieving this will, to a large extent, be dependent on the relationships that will be formed. The UK is widely recognised for its diplomacy and soft-engagement. If regulators, standards bodies and similar organisations are to engage effectively, then the government should provide training/guidance etc. on how to engage with international counterparts.</p> <p>The Government already works with industry to engage with foreign markets, this should be extended to include regulators, standards bodies and similar organisations.</p>
<p><i>If you answered B (business organisations) in response to question 1, please answer the following questions. These questions (number 7 - 8) are for business organisations only.</i></p>	
<p>Question 7:</p>	<p>In what ways can the government's international regulatory cooperation strategy accommodate the needs of industry?</p> <p>In order for industry to compete with their international counterparts, regulatory cooperation needs to ensure that there isn't a race to the bottom in standards i.e. foreign companies should not be able to make offerings to the GB/UK market at a lower cost than GB based companies because of lower standards overseas.</p> <p>Similarly when considering regulatory cooperation, where there are bespoke standards for individual industry sectors, such strategy should cover as wide a remit as possible. To give an example from our own industry:</p> <p>It is more than likely that we could be trading electricity with the Faroes in the not too distant future. While it will be relatively straight forward to reach agreements on how electricity could be traded, we need to ensure that the routes to market are similar for example, things that could hinder an electricity generator from coming to market and then trading with the Faroes:</p> <ul style="list-style-type: none"> • Import duties for machinery and it's spare parts • Ability to employ people from overseas • Workers' rights (e.g. employers financial obligations such as pension contribution, or maximum working week) • Internal taxes on income (e.g. VAT) • Import/export duties for Electricity • Import/export duties on fuel for the generating plant (e.g. natural gas for a Gas Turbine) • Companies environmental obligations i.e. if UK generators have higher carbon taxes/emissions obligations than those in the Faroes, this eats into profitability and ability to compete

	<ul style="list-style-type: none"> • State Aid rules – whether the Government can offer support not available to counterparts <p>Further, a GB electricity market participant may, depending on the nature of their business, be impacted by the following Government departments, agencies and organisations:</p> <ul style="list-style-type: none"> • BEIS – General industrial strategy as well as oversight of Energy policy • HMT – Collection of taxes • DEFRA – Some environmental obligations oversight • MHCLG – Planning permission and restrictions for the site • Home Office – Immigrations policies • Ofgem – Market regulation • Environment Agency – Operation of environmental obligations e.g. emission trading • Local councils – Local obligations, business rates etc. • DWP – Pension policy and health and safety • DfE – Apprenticeship obligations • ICO – Data protection and sharing • Devolved government agencies where applicable and if not covered by the above <p>The above are not exhaustive lists but are added to illustrate the complex regulatory environment that many industries operate in. Any future IRC strategy has to be mindful of this, and how the overlapping regulatory environments impact industry, so that any future trade agreements and such do not put undue burden on industry</p>
<p>Question 8:</p>	<p>How can the government best engage with industry on issues of international regulatory cooperation, in order to identify regulatory frictions and specific initiatives that could benefit businesses?</p> <p>A lot of industries are regulated in a multitude of different ways. For many businesses, they simply do not have the time to engage with government departments/agencies – particularly those with small staff numbers. With this in mind, we have found that engagement with industry trade bodies can be an efficient way of gathering feedback.</p> <p>We would add though that consideration needs to be given to the membership and how they may influence pan-industry trade bodies. To be more specific, large companies with a lot of staff have the resource to send to trade body meetings. There is a risk therefore that the trade body’s policy and engagement may be disproportionately influenced by a certain segment of the industry. With this in mind, we would strongly advise that you engage with a variety of bodies that collectively represent the different demographics across industry as what may be good for a large multi-national could be disastrous for a small domestic business.</p> <p>Finally, we would strongly suggest that when developing policies you not only engage with non-departmental government regulators, but with other regulatory bodies (such as ourselves for electricity) to understand market forces as well as a conduit for engagement with industry (for example we engage with the electricity industry on European matters where BEIS/Ofgem may not) – the only word of caution here is that some bodies are driven by profit (not Elexon as we are a non-profit organisation), so would need to justify any expenditure on behalf of HMG.</p>
<p><i>This final question is aimed at all types of stakeholders and organisations.</i></p>	

Question 9:	<p>Please provide any views that might inform the government's international cooperation strategy.</p> <p><i>Organisations who have answered questions 4 - 8 can provide any additional comments or views not already captured in their response here.</i></p> <p>As mentioned above, we have extensive experience of International Regulatory Compliance. We exist as a non-profit organisation to operate the BSc for and on behalf of industry and part of our wider remit is exploring ways in which we are able to improve the industry on behalf of industry participants. With this in mind, we would be more than happy to assist HM Government in any way we can when considering future International Regulatory Cooperation strategies and/or application of said strategy.</p>
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