

Description of models

KEY:

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| "ELEXON Limited (BSCCo)" | ELEXON in its current form and role. |
| "New HoldCo" | The proposed parent company of a new ELEXON Group. |
| "ELEXON Group" | The proposed group of affiliates under New HoldCo, including ELEXON Limited (BSCCo). |
| "Regulated Affiliate" | An affiliate of New HoldCo which is a licensed entity or an industry code administrator, e.g. ELEXON Limited (BSCCo). |
| "ELEXON Mk2 Limited" | Under the EON proposal, the reformed version of ELEXON Limited (BSCCo), with different ownership, governance, funding, profit status and vires from present. |
| "BSC ProcureCo" | New company proposed under EON proposal to procure BSC services company. |
| "BSC ServeCo" | Under the EON proposal, the company providing BSC services under contract to BSC ProcureCo. |

Structure:

| Attribute | Model A: New HoldCo | Model B: Gemserv Equivalent | Model C: BSC Incremental |
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| Attribute | Model A: New HoldCo | Model B: Gemserv Equivalent | Model C: BSC Incremental |
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| 1. Overview | <ul style="list-style-type: none"> • A new umbrella holding company (New HoldCo) is established to be the parent of an ELEXON Group. • ELEXON Limited (BSCCo) becomes a wholly owned subsidiary of New HoldCo, but is otherwise unchanged. • New HoldCo undertakes all future non-BSC roles, either directly or through separate special purpose vehicles formed as appropriate for each opportunity. • Panel representation, Board composition and oversight of ELEXON Limited (BSCCo) is not affected by this change. • The ELEXON Group subsidiaries will be a combination of: <ul style="list-style-type: none"> ○ regulated not for profit entities e.g. ELEXON Limited (BSCCo) and Warm Homes Limited; ○ for profit entities earning regulated returns e.g. (if selected) the DCC; and ○ for profit entities (including joint ventures). • New HoldCo is a company limited by guarantee (CLG) whose membership is voluntary. • Profits within the ELEXON Group are not distributed to New HoldCo's members, but remain in the group. | <ul style="list-style-type: none"> • A new 'thin' company (BSC ProcureCo) is created under the BSC to procure and manage a BSC services company (BSC ServeCo) which provides all the services that ELEXON Limited (BSCCo) does today. • All BSC Parties hold an equal share in BSC ProcureCo. Each new Party that accedes to the BSC is allocated a share in BSC ProcureCo. • The vires, ownership, governance, funding and profit status of ELEXON Limited (BSCCo) is changed (becoming ELEXON Mk2 Limited) • All existing BSC parties are offered shares in ELEXON Mk2 Limited. Shares can be acquired by existing BSC Parties or other organisations at the time of the sale and do not have to be related to existing market share. • ELEXON Mk2 Limited is a company limited by shares (CLS), returning dividends to its shareholders (owners). • ELEXON Mk2 Limited can bid for the BSC ServeCo contract, as well as competing for other non-BSC activities. • BSC services and all other non-BSC roles are undertaken by the same corporate entity (ELEXON Mk2 Limited). | <ul style="list-style-type: none"> • All future roles are undertaken by ELEXON Limited (BSCCo) pursuant to the BSC – the BSC is expanded in scope. • ELEXON Limited (BSCCo) remains with its current structure and governance as set out in the BSC. • Ownership of ELEXON Limited (BSCCo) remains with National Grid. • No subsidiary or other separate company (i.e. a "NewCo") is used. • Panel representation, Board composition and oversight of ELEXON Limited (BSCCo) is not affected by this change. |

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| <p>2. Permitted activities of BSC services company (equivalent to ELEXON Limited today)</p> | <ul style="list-style-type: none"> • ELEXON Limited (BSCCo) undertakes only activities as permitted under the BSC as now. Any other (non-BSC) activities are provided via separate group companies. • Any support/activities provided by ELEXON Limited (BSCCo) to non-BSC affiliates requires approval under BSC governance (see later). | <ul style="list-style-type: none"> • ELEXON Mk2 Limited (if awarded BSC ServeCo contract by BSC ProcureCo) must fulfil commercial service obligations under that contract, to specified service levels. • Any support/activities provided by ELEXON Mk2 Limited to non-BSC affiliates does not require approval under BSC governance. • Services include Secretariat function for BSC; Administration of BSC activities (Change, Helpdesk, meeting management, legal, etc.); and contract management of BSC Services. • However, ELEXON Mk2 Limited may also compete for other industry contracts or offer new services outside the scope of its BSC activities. | <ul style="list-style-type: none"> • Only such activities as expressly permitted under the terms of the BSC. |
| <p>3. Permitted new non-BSC activities ("vires")</p> | <ul style="list-style-type: none"> • The principal purpose of New HoldCo will be enshrined in its legal constitution. • E.g. "The promotion of innovation and efficiency through the provision of regulated and unregulated services to the utilities sector for the benefit of industry, consumers, regulatory bodies and other legal authorities." • New ELEXON Group activities will be restricted to only those that demonstrably further this principal purpose. • New activities must be approved by New HoldCo Board. (Note that the Board is appointed under the constitution of the CLG) | <ul style="list-style-type: none"> • Primary object is to carry on business to return dividends to shareholders. • May undertake any commercial activities as agreed by Board/shareholders. • Scope of activities may be limited by company constitution, but these are generally framed widely by default (See e.g. Gemserv Mem&Arts) but should not be completely open in this case. It is anticipated that these limitations would permit activities related to the utilities sector and could be the same as those envisaged for Model A. | <ul style="list-style-type: none"> • ELEXON Limited (BSCCo) activities can only be expanded by means of BSC modifications (including upon direction from the Secretary of State as in the case of Warm Homes). |

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| 4. Funding of BSC services | <ul style="list-style-type: none"> • ELEXON Limited (BSCCo) will be funded via BSC funding arrangements as defined in BSC, as now. • Cost pass through for all BSC activities, as now. • BSC funding not to be used for other businesses save as permitted by BSC, i.e. as now. • BSC Party scrutiny of ELEXON Limited (BSCCo) costs as now. | <ul style="list-style-type: none"> • BSC ProcureCo funded on a cost pass through basis by all BSC Parties under funding arrangements defined in BSC, i.e. as now. • BSC ServeCo receives payment under terms of commercial BSC services agreement. Possibly on a fixed price/cost plus/cost pass through/combination basis, tbc. • Still likely to be significant level of cost pass through under BSC services agreement for BSC ServeCo's fixed and demand-led cost base (e.g. BSC Agent contract costs, BSC systems investments, BSC Mod implementation, etc.). • BSC Party scrutiny of BSC ProcureCo costs, but not BSC ServeCo costs. | <ul style="list-style-type: none"> • Funding (via cost recovery solely from all BSC Parties) remains as is. • This arrangement would quickly create a need/desire to implement differential charging for services as activities of BSCCo. diversify. |

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| 5. Funding of new (non-BSC) ventures | <ul style="list-style-type: none"> • Initial Start-up: <ul style="list-style-type: none"> ○ Use of BSC funds required for start-up of New HoldCo. ○ Start-up of New HoldCo will not be funded by BSC funds unless authorised under BSC governance. • Enduring Operation: <ul style="list-style-type: none"> ○ New ventures cannot be funded by BSC funds, unless permitted by BSC. ○ New HoldCo cannot demand equity from members. ○ ELEXON Group subsidiaries can use New HoldCo reserves, equity from 3rd parties, debt or joint ventures as appropriate. • General: <ul style="list-style-type: none"> ○ Use of BSC funds for start-up of New HoldCo or for new ventures (if permitted by the BSC) does not constitute the purchase of equity in New HoldCo or its subsidiaries and it does not grant BSC Parties further rights and powers in respect of New HoldCo activities save for those set out in the BSC or as agreed under appropriate commercial arrangements between BSCCo and any affiliate. • | <ul style="list-style-type: none"> • Initial Start-up: <ul style="list-style-type: none"> ○ Use of BSC funds required for start-up of BSC ProcureCo. ○ Establishment of ELEXON Mk2 Limited will require investment by shareholders (anticipated to be some or all of the current BSC Parties in the first instance) • Enduring Operation: <ul style="list-style-type: none"> ○ New ventures cannot be funded by BSC funds, unless permitted by BSC. ○ ELEXON Mk2 Limited new ventures can be funded from profits generated by BSC services contract (and other activities). ○ Shareholder equity, debt and joint ventures also available as appropriate. | <ul style="list-style-type: none"> • Enduring Operation: <ul style="list-style-type: none"> ○ Funding (via cost recovery solely from all BSC Parties) remains as is ○ Cost increases for BSC Parties unless new ventures limited to those at no cost, marginal cost or funded from savings. ○ BSC may be modified to introduce 'user pays' arrangements for different classes of service. |

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| 6. Treatment of losses and financial liabilities of BSCCo | <ul style="list-style-type: none"> • ELEXON Limited (BSCCo) losses and liabilities effectively underwritten by all BSC Parties, as now. • ELEXON Limited (BSCCo) cannot become insolvent due to pass-through BSC funding arrangements. • ELEXON Limited (BSCCo) will have no liability to any other ELEXON Group company (unless agreed under BSC). | <ul style="list-style-type: none"> • Some contractual risk would be borne by BSC ServeCo. Conceivable that BSC ServeCo could become insolvent. • May require 'BSC provider of last resort/special administration arrangements and increased regulatory controls (e.g. step-in rights) to mitigate this risk. • Likely that some risks would have to be borne by BSC ProcureCo/BSC Parties on a pass-through basis, as a number of BSC costs and risks are outwith the control of BSC ServeCo. • Liability risk of BSC ServeCo will be heavily dependent on whether it (i) holds BSC Agent contracts as a principal; or (ii) BSC ProcureCo holds them with BSC ServeCo merely "arranging" them as its agent. It is envisaged that option (ii) will prevail. | <ul style="list-style-type: none"> • Passed through to BSC Parties, as now. |
| 7. Treatment of losses and financial liabilities from new ventures | <ul style="list-style-type: none"> • New HoldCo is a company limited by guarantee, so members' liability is limited to amount of guarantee - only obliged to contribute a nominal amount (£1) on winding up, but nothing more. • New HoldCo subsidiaries will all be established as special purpose vehicles with limited liability. | <ul style="list-style-type: none"> • Any losses and/or liabilities arising from new ventures would be borne by ELEXON Mk2 Limited. • The liability of ELEXON Mk2 Limited shareholders is limited to their shareholding. | <ul style="list-style-type: none"> • No ring fenced liability. BSC Parties liable for losses relating to a broader set of BSC activities. |
| 8. Treatment of BSC surpluses | <ul style="list-style-type: none"> • All BSC surpluses are returned to BSC Parties, as now. | <ul style="list-style-type: none"> • Any under-spend by ProcureCo against the BSC budget will be returned to BSC Parties as now. This will be dependent upon the nature of the budgeting process and the contracts established by ProcureCo under the BSC. • Profits generated under the BSC services contract are retained by ELEXON Mk2 Limited and/or distributed to its shareholders by means of dividend. | <ul style="list-style-type: none"> • Returned to BSC Parties, as now. |

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| 9. Treatment of surpluses from new ventures | <ul style="list-style-type: none"> • No distribution of profits to Members, of New HoldCo as established as a not-for-distribution CLG. • Profits created by ELEXON Group subsidiaries and remitted to New HoldCo will be allocated at the discretion of the New HoldCo Board (but only to further the defined overall purpose of the group). • Agreed levels of profit may be returned to investment partners in specific JV subsidiaries. | <ul style="list-style-type: none"> • All operating profits are retained, reinvested and/or distributed to ELEXON Mk2 Limited shareholders by means of dividend. | <ul style="list-style-type: none"> • Not for profit • Returned to BSC Parties, as now. |
| 10. Corporate structure | <ul style="list-style-type: none"> • Company Limited by Guarantee (CLG) | <ul style="list-style-type: none"> • Company Limited by Shares (CLS) | <ul style="list-style-type: none"> • CLS, as now |

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| <p>11. Ownership/Membership of BSC services company</p> | <ul style="list-style-type: none"> • ELEXON Limited (BSCCo) is a wholly owned subsidiary of New HoldCo. • ELEXON Limited (BSCCo) is a special purpose vehicle to deliver only the BSC service and, under terms of the BSC, cannot be sold by New HoldCo. • New HoldCo would accede to the BSC to provide appropriate protections to BSC Parties (see attributes 15 and 17). • The Authority retains the power under the BSC to direct the transfer of ownership of ELEXON Limited (BSCCo) in defined circumstances. | <ul style="list-style-type: none"> • BSC ProcureCo is owned by BSC Parties. All Parties have 1 share each and new Parties that Accede to the BSC will each receive a share in BSC ProcureCo. • Shares in BSC ProcureCo cannot be sold or traded. • ELEXON Mk2 Limited is owned by private shareholders. • Not all interested parties are entitled to become shareholders. Ownership will be restricted to those BSC Parties (or interested others – see Attribute 1) at time of initial share offer entitled to subscribe for ELEXON Mk2 Limited shares. • New BSC Parties would not have an automatic right to shares in ELEXON Mk2 Limited and could not dilute the position of existing shareholders without the approval of the existing Board/Shareholders. • ELEXON Mk2 Limited Arts&Mems would limit who shares could be sold to, it is anticipated that this might be [all current BSC Parties at the time of the sale]. However this provision can be waived or varied by ordinary resolution. Furthermore any un-issued shares can be offered to any persons as determined by the Elexon MK2 Ltd directors (subject to the provision above). Otherwise, shareholdings in ELEXON Mk2 Limited will be transferable in the normal manner. • It is envisaged that the provisions of the BSC and the contract between BSC ProcureCo and BSC ServeCo will provide protection for new BSC Parties who are not shareholders in ELEXON Mk2 Limited and existing BSC Parties that choose not to invest. | <ul style="list-style-type: none"> • Wholly-owned subsidiary of National Grid, as now. NG has no control of ELEXON Limited (BSCCo) (as now). • NG has no right to sell or transfer ownership. • The Authority retains the power under the BSC to direct NG to transfer ownership of ELEXON Limited (BSCCo). |

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| 12. Ownership/Membership of new entity/entities undertaking new, non-BSC ventures | <ul style="list-style-type: none"> • New HoldCo owned by members (not shareholders) who guarantee (can be a nominal amount) on winding up. • All members have equal holding. • Membership of this new entity will be voluntary, and open to a wide range of stakeholders, defined to reflect the communities that it will be serving, e.g.: <ul style="list-style-type: none"> ○ Gas/electricity Licence holders ○ Signatories to gas/electricity codes ○ Relevant consumer representative organisations and other stakeholder groups as appropriate • Membership will be open to new entrants. • Members will be free to cease their membership. • Subsidiaries may include JVs. | <ul style="list-style-type: none"> • ELEXON Mk2 Limited shareholders, as above. | <ul style="list-style-type: none"> • Uncontrolled wholly-owned subsidiary of National Grid, as now. |
| 13. Owners/Members control/influence | <ul style="list-style-type: none"> • BSC Parties' influence over ELEXON Limited (BSCCo) through specific BSC governance arrangements is unchanged. New HoldCo governance cannot take precedence over this. • Members' influence over New HoldCo is via members' appointment of Directors and members' resolutions. • Normal constitutional rights and thresholds apply to protect New HoldCo Members. • Equal voting rights for all New HoldCo Members. | <ul style="list-style-type: none"> • ELEXON Mk2 Limited shareholders have the right to appoint directors and participate in shareholders' meetings. • The matters reserved for ELEXON Mk2 Limited shareholders' determination may be set out in the articles of association or Shareholders Agreement. • Potentially enhanced voting rights for ELEXON Mk2 Limited major shareholders (e.g. on director appointments and other resolutions). • BSC Parties would have influence over BSC ProcureCo through BSC governance arrangements. | <ul style="list-style-type: none"> • BSC Party influence through BSC governance arrangements as now. • No shareholder (NG) influence. |

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| 14. Restrictions on Change of Ownership | <ul style="list-style-type: none"> • New HoldCo (as a BSC Party) would agree via the BSC not to transfer ownership of ELEXON Limited (BSCCo) in the absence of regulatory approval. • Ofgem has right to direct change of ownership of ELEXON Limited (BSCCo) in limited circumstances e.g. insolvency of New HoldCo. • Members' interests in New HoldCo (guarantee) are not transferable, i.e. New HoldCo cannot be sold by its members. However, it is possible for members to give up their membership. | <ul style="list-style-type: none"> • ELEXON Mk2 Limited shares can be transferred by shareholders in accordance with company law. • Constitution may place restrictions on transferability of shareholdings. • It would not be possible to sell ProcureCo without regulatory consent. | <ul style="list-style-type: none"> • Ofgem has power to direct change of ownership of ELEXON Limited (BSCCo), as now. • NG has no right to transfer its share in ELEXON Limited (BSCCo). |

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| <p>15. Other special protections/restrictions</p> | <ul style="list-style-type: none"> • New HoldCo's Regulated Affiliates activities and finances will be ring fenced from the remaining ELEXON Group. It is anticipated that additional restrictions on such Regulated Affiliates, for example, in relation to the issue or grant of security, provision of loans or credit and entering into financial commitments will be dealt with explicitly in the relevant industry codes (as is the case under the BSC). • The Board of ELEXON Limited (BSCCo) must: <ul style="list-style-type: none"> ○ approve the use of BSC resources by an ELEXON Affiliate on arm's length commercial terms; ○ be satisfied that the use of such resources will not have an adverse effect on ELEXON Limited (BSCCo)'s ability to discharge its BSC obligations; ○ (in accordance with current practice) ensure that ELEXON Limited (BSCCo) accounts for any income received in its financial results; and ○ ensure that the use of such resources is recorded in ELEXON Limited (BSCCo)'s annual accounts. • New HoldCo's constitution will prevent it from facilitating the grant of security or otherwise the creation of any encumbrance over ELEXON Limited (BSCCo). • As a Party to the BSC, New HoldCo's constitution will prevent it from breach of the BSC. • All ELEXON Group companies will have independent and distinct financial accounting and management. They will be operationally and financially independent of ELEXON Limited (BSCCo). • Funds may flow between ELEXON Limited (BSCCo) and ELEXON Group companies if approved under the provisions of the BSC in line with the powers and functions of the BSC Panel and the BSCCo. Board. • Adherence to company law will protect against any conflicts of interest for directors of ELEXON Group companies including ELEXON Limited (BSCCo). • Within the scope of the annual statutory financial audit, the auditors will ensure that costs and liabilities are correctly identified and recorded, and that any inter-company transactions are accounted for at arm's length | <ul style="list-style-type: none"> • BSC ProcureCo. would be subject to annual statutory financial audit and BSC Audit provisions as now. The findings presented to the BSC ProcureCo Board and BSC Panel respectively. • ELEXON Mk2 Limited would be subject to annual statutory financial audit. The findings presented to its Board and Shareholders. | <ul style="list-style-type: none"> • Existing BSC restrictions and protections, as now. |

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| 16. Corporate governance | <ul style="list-style-type: none"> • BSC transparency, reporting, scrutiny, and oversight provisions are unchanged. • Appointment of New HoldCo Directors subject to ratification by Members at AGM. | <ul style="list-style-type: none"> • The BSC ProcureCo. Board (which will continue to include BSC Panel members elected as Board members of BSCCo) have approval and oversight of BSC services contract • BSC Panel no longer approves ELEXON Mk2 Limited Business Plan/Budget. • ELEXON Mk2 Limited Board appointed by shareholders. • BSC ProcureCo Board appointed under provisions of BSC. | <ul style="list-style-type: none"> • ELEXON Limited (BSCCo) Board composition and appointment defined and restricted under BSC, as now. • Any subsidiary must have same directors as ELEXON Limited (BSCCo). |
| 17. Regulatory framework | <ul style="list-style-type: none"> • New HoldCo would be a party to the BSC. In this way requirements could be placed on New HoldCo through obligations in the BSC e.g. to restrict it from placing liabilities on BSC Parties by embedding restrictions in its Mem&Arts. • New HoldCo would be a singular class of Party with restrictions preventing more than one organisation falling into this class of BSC Party at any one time. • It is not envisaged that New HoldCo would be permitted to raise Modifications to the BSC. • ELEXON Limited (BSCCo) 'regulated' via BSC which is subject to Panel and Ofgem approvals • All regulated/licensed entities are separate (e.g. DCC, BSCCo, etc.) | <ul style="list-style-type: none"> • ELEXON Mk2 Limited would not be signatory to BSC, therefore no direct relationship with regulator • BSC ProcureCo would be a signatory to the BSC. | <ul style="list-style-type: none"> • |
| 18. Commercial basis of BSC services | <ul style="list-style-type: none"> • Evergreen arrangement. • Service obligations defined in BSC, as now. • Cost pass-through (subject to budget approval). | <ul style="list-style-type: none"> • Profit margin • Contestable • Fixed term BSC services agreement • Demand Led Services (such as change management costs) will be set out on a schedule of charges, however the nature of the work is determined by the amount of industry change directed by the BSC Panel, as such cost recovery will be on the basis as set out in the BSC Section D | <ul style="list-style-type: none"> • BSC, as now |

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| 19. Intra Group Services | <ul style="list-style-type: none"> • Arms length commercial arrangements • Fair value for any resources or services provided between affiliates | <ul style="list-style-type: none"> • Not applicable, as single entity | <ul style="list-style-type: none"> • Not applicable, as single entity |
| 20. Implementation steps and timing | <ul style="list-style-type: none"> • Ofgem led regulatory/legal implementation route • BSC modification required • Existing Ofgem power to direct ELEXON Limited (BSCCo) ownership change • Avoids significant TUPE issues • Pensions issue (but manageable) • Voluntary membership – only need one member to establish | <ul style="list-style-type: none"> • Ofgem could lead • Ofgem directs share transfer to new shareholders under existing powers. • BSC mod • Requires development of contract and service lines • Creation of BSC ProcureCo • Industry negotiations and agreement to establish ELEXON Mk2 Limited Shareholder agreement • Initial procurement of BSC ServeCo required • EU compliant procurement required • TUPE issues may arise under retender • Pensions issues | <ul style="list-style-type: none"> • No significant changes required, other than modifications to extend scope of BSC. |