



Ofgem
Tim Aldridge
Senior Policy Manager
Electricity Network Charging
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Emailed to: TCR@ofgem.gov.uk

23rd June 2021

Dear Tim,

CMP343 – Minded-to decision and draft impact assessment

Drax Group plc (Drax) owns two retail businesses, Haven Power and Opus Energy, which together supply renewable electricity and gas to over 350,000 business premises. Drax also owns and operates a portfolio of flexible, low carbon and renewable electricity generation assets – providing enough power for the equivalent of more than 8.3 million homes across the UK. This response is on behalf of the whole Drax Group and is non-confidential.

Our key observations on the minded-to decisions are below and we've provided answers to specific consultation questions in the Appendix.

We welcome your minded-to decision to pause the implementation date to April 2023. We're acutely aware that some of our supply customers have been severely impacted by Covid-19 and additional uncertainty around TDR charges at this time would not be welcomed by them.

We're also fully supportive of the proposals to floor the negative TNUoS forward-looking charge at zero and to adopt four charging bands for transmission connected consumers. We've previously indicated that the flooring methodology should be as simple to implement as possible and cause minimal consumer tariff impact, and your minded-to decision delivers that.

We'd be happy to discuss any part of our response with you further if it would be helpful.

Yours sincerely,

Matt Young

Group Head of Regulation
Drax Group PLC

Appendix – Responses to consultation questions

1. Do you agree with our assessment of the distributional impacts of the flooring approaches?

Yes, we agree with the assessment of the distributional impacts, acknowledging that residual charges are uniformly c.10% higher with no floor than with a floor at zero, and that residual charges differ by DNO region under the locational adjustment approach.

2. Do you agree that, of the flooring options presented, flooring at 0 best meets the TCR Principles and Applicable CUSC Charging Objectives?

Yes, flooring at zero removes the opportunity and incentive for some demand users to increase their consumption during peak periods thereby reducing their TNUoS charges and their associated contribution to equitable and efficient recovery of transmission costs. It is our view that a floor at zero would reduce inefficient use of the network and minimise potential distortions in competition between different network users. Flooring the forward-looking charge at zero will therefore be beneficial to facilitating competition in the purchase of electricity and positive against ACO (a) by avoiding perverse incentives to demand users.

Flooring at zero will also result in the smallest change to the status quo and thus least disruption to current arrangements. Removing the perverse incentive to demand users also provides a more stable long-term investment signal and in this respect is positive against ACO (e).

3. Do you agree with our assessment of the distributional impacts of the banding approaches?

Yes, we agree with the assessment of the distributional impacts of the banding approaches as set out in Tables 5 to 7 and the associated text.

4. Do you agree that, of the banding options presented, four bands best meet the TCR Principles and Applicable CUSC Charging Objectives?

Yes, we agree the four-band proposal has the greatest degree of equity of the options and best meets the TCR principles. The four-band option separates out different sized users and has a practicable level of granularity and equality within and between bands. This facilitates effective competition in the sale and purchase of electricity by avoiding perverse incentives that risk advantaging large users over small users, and so is positive against ACO (a).

5. Do you consider that any of the options presented adequately addresses very small users (including those associated with mixed use sites)?

Yes, whilst not perfect, we agree the four-band approach is the only option that considers very small users, including those identified within mixed-use sites.

6. Do you agree with our minded-to decision to approve CMP343 WACM2?

Yes.

7. Do you agree with our minded-to decision that implementation should be delayed by a year, until April 2023?



Yes, we agree with the minded-to decision that implementation should be delayed until April 2023.