

25th July 2023

Luke McCartney
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Non-confidential

Dear Luke,

Response to Statutory Consultation on the Inflexible Offers Licence Condition

Drax Group plc (Drax) owns and operates a portfolio of flexible, low carbon and renewable electricity generation assets – providing enough power for the equivalent of more than 8 million homes across the UK. The assets include Drax Power Station in North Yorkshire, which is the country's single largest source of renewable electricity, and Cruachan pumped storage hydro power station in Scotland. Drax also owns two retail businesses, Drax Energy Solutions and Opus Energy, which together supply renewable electricity and gas to over 250,000 business premises.

We support the intent of the Inflexible Offers Licence Condition (IOLC) and welcome the amendments to the proposed IOLC since the previous consultation. We believe the IOLC as defined in the statutory consultation is proportionate and will deter the specific behaviour which Ofgem is seeking to address.

In summary:

- We support limiting the scope to generators with an MZT greater than 60 minutes. This will ensure technologies that do not impact system conditions due to their technical attributes are exempt.
- We welcome the reintroduction of the 'within the operational day' provision. Capturing offers where PN's were Zero MW before the operational day would have been a significant shift away from the original rationale and intent of the intervention, and would have had unintended consequences, including; economically inefficient outcomes, preventing generators from undertaking prudent portfolio risk management, and higher costs to consumers in the medium to long-term.
- We welcome the updated guidance which clarifies that imbalance price risk and fuel supply risk will be considered when assessing if an offer is deemed to be excessive. Prudent operators must be able to take these significant risks into account when making BM pricing decisions.

If you would like to discuss any aspect of our response, please don't hesitate to get in touch.

Yours sincerely,

Kamila Nugumanova
Regulation Manager - Markets
Drax Group plc