



10th May 2023

DSO Governance Team
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Non-confidential

Dear Fiona,

Response to the consultation on the Future of local Energy institutions and governance

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. Our retail businesses also offer a burgeoning energy services proposition focused on Electric Vehicles and optimisation of consumers' energy assets, and provide route-to-market services for over 2,000 distribution-connected generators.

We are supportive of the changes related to market facilitation and agree that the work currently being conducted through the Open Networks project needs to be consistently delivered and that this could most effectively be done by the ESO / FSO. Prior to the establishment of the FSO as market facilitator, and to avoid any hiatus, the ENA could be instructed/requested to progress relevant elements of the Open Networks project. This could include defining primacy rules, a distribution level equivalent of the TEC register, and improvements to transparency and data provision.

We also see value in a cross-vector regional system planning process. Our only concerns regard the additional skills and expertise that the Regional System Planner would need to develop, and the potential risk that the regional planning process becomes a hurdle in the development of innovative pathways to achieve net zero.

Our detailed responses to the consultation are appended. Should you wish to discuss any aspect of our response, don't hesitate to get in touch.

Yours sincerely,

Paul Youngman

Regulation Manager – Industry Governance

Appendix – Responses to the consultation questions

Q1. Do you agree with our proposal to introduce Regional System Planners as described, who would be accountable for regional energy system planning activities? If not, why not?

We can see a case that there needs to be consistent planning criteria across energy vectors which can incorporate regional and local characteristics. However, it is unclear the degree of influence the RSP would have with respect to local or national planning decisions and how this would integrate with the existing and future obligations of the ESO / FSO to deliver net zero on a national basis. It is clear from the consultation that existing energy networks and Local Authority functions and obligations would remain in place and that the RSP would be an additional requirement from the perspective of developers and investors. We think this needs further clarification before the FSO or another body is appointed to undertake the task. It is important for stakeholders to be clear on how the body would integrate with existing planning rules and arrangements without becoming an additional hurdle in the planning process that investors and developers will need to satisfy. This could impede the timely and efficient delivery of net zero goals.

Q2. What are your views on the detailed design choice considerations described?

It will be important to carefully design the requirements and accountabilities of any new body and would urge caution in trying to design an organisation as a *‘Single source of truth for a region’s requirements’*. This sets a very specific expectation that may not be helpful. For instance, innovative net zero solutions or projects may not be pursued if not included in a regional plan

We do agree that it is sensible that one independent organisation should take accountability for the development nationally of the Regional Plans. We do not have a definite view if this should be the FSO, but note that the scope is a very large step-up from the current ESO planning capabilities and would include establishing regional offices and expertise across the country.

For investors and developers, it is important that the RSP and its process are open and challengeable, and do not become another hurdle in the planning and development process. The RSP will need to manage diverse views and interests at both local and national level.

Q3. Do you have views on the appropriate regional boundaries for the RSPs?

We do not currently have a view on the regional boundaries.

Q4. Do you agree that the FSO has the characteristics to deliver the RSPs role? If not, what alternative entities would be suitable?

The FSO is expected to have some of the characteristics that could enable it to deliver the RSP function. However, as highlighted above, this would be a significant change in scope from the current ESO's activities and may not be a straightforward transition given the prevailing culture and capability of the ESO. The FSO would therefore need time to establish regional expertise and capacity. It may therefore be prudent to defer deciding upon the suitability of the FSO as the RSP, although that said, there is no other obvious better candidate.

Q5. Do you agree with our proposal for a single, neutral expert entity to take on a central market facilitation role? If not, why not?

We agree with this proposal and that, with some changes to the allocation of roles and responsibilities, this entity could be the FSO.

Q6. Do you agree with the allocation of roles and responsibilities set out in Table 2? If not, why not?

We broadly agree. Our initial observations are that customer registration and management should be a centrally co-ordinated function attributed to the market facilitator. We would expect the market oversight role and functions would be an Ofgem focus rather than the accountability / jurisdiction of the market facilitator. As this programme of work continues, we think it would be helpful to understand in detail how the FSO will ensure that there are consistent products and transparent development and procurement choices made across all networks.

Q7. Are there other activities that are not listed in Table 2 that should be allocated to the market facilitator or other actors?

No comment.

Q8. What are your views on our options for allocating the market facilitator role?

No further comment.

Q9. Are there other options for allocating the market facilitator role you think we should consider? If so, what advantages do they offer relative the options presented?

No further comment.

Q10. Do you agree that DNOs should retain responsibility for real time operations? If not, why not?

Yes.

Q11. What is your view on our proposed approach to the undertaking of an impact assessment as outlined in Appendix 1?

No comment.

Q12. What is your view on the most appropriate measure of benefits against the counterfactual?

We agree it may be difficult to measure and attribute benefits to specific areas. Our view is that the priority areas are demonstrating improving market participation and having transparent data and decision-making. Demonstrating effective network utilisation and reinforcement feels like a longer-term measure more suited to the RSP activity than the market facilitation role.

Q13. How should we attribute these benefits between the governance changes in the proposed option, and other changes required to achieve the benefits? We particularly welcome analysis from bodies that have undertaken an assessment of benefits, specifically how those benefits might be attributed to different policy reforms that are required to achieve those benefits.

No comment.



Q14. What additional costs might arise from our governance proposals? We welcome views both on the activities that may arise and cause additional costs to be incurred, as well as the best way to estimate the size of the costs associated with those activities.

No comment.

Q15. What additional costs may arise from sharing functions with several interacting organisations? We welcome views on set up cost, lost synergies, and implementation barriers.

An area of potential additional cost is if the regional system plan becomes a barrier to developing innovative projects. As we highlighted above, we would not want the RSP to be an additional hurdle in the planning process that investors and developers will need to navigate. This could impede the timely and efficient achievement of net zero goals.