



Strategic Planning of Networks Team
Ofgem
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Emailed to: RIIOElectricityTransmission@ofgem.gov.uk
25 August 2023

Dear Joanna,

Consultation on framework for identifying and assessing transmission investment options

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. Drax also owns two retail businesses, Drax Energy Solutions (formerly trading as Haven Power) and Opus Energy, which together supply renewable electricity and gas to 220,000 business premises. This response is on behalf of the whole Drax Group and is non-confidential.

We're generally supportive of the proposals in the consultation, and we're particularly supportive of those changes that seek to improve transparency of data and enable stakeholder engagement in the Centralised Strategic Network Plan (CSNP) processes.

We're supportive of the adoption of a Centralised Strategic Network Plan (CSNP). We expect that this should provide the market with enhanced insight in addition to the data currently produced on an annual basis. For instance, the data currently provided in the Future Energy Scenarios (FES) is incredibly valuable to market participants and is routinely used as a baseline input into business planning and investment activities. It's therefore important that changes introduced under these proposals enhance rather than diminish this valuable resource. In that regard, we are concerned that there remains a gap between the current processes and the proposed schedule for the CSNP of every three years. We note that Ofgem anticipate that the FSO will fill this gap with other non-CSNP documents. However, the proposed scope (set out in Appendix 1 of the consultation) is not aligned with the current provision of data by the ESO to market participants.

We consider that the functions and roles the FSO fulfils requires clear definition and demarcation from the roles and functions of Ofgem and DESNZ. There is a risk that enabling the FSO to define its role, including through the CSNP methodology, could lead to omissions or unclear institutional responsibilities and accountabilities. For example, the proposal for the FSO to have responsibility for undertaking Strategic Environmental Assessments, needs to be clear on whether or not this extends to the offshore responsibilities currently executed by DESNZ. Additionally, a clear timeframe and plan for implementation needs to be consulted on.

We welcome Ofgem's intent to ensure that the FSO facilitates third party solutions including non-network build options to meet network and operational needs. We believe this could be enhanced by clear obligations, potentially in licence, to implement these options.

We expand on our views further in the appendix to this letter where we provide detailed responses to the consultation questions.

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

Yours sincerely,

Paul Youngman
Regulation Manager - Industry Governance
Drax Group plc



Appendix – Detailed responses to consultation questions

1. Do you agree with our broad regulatory approach to establishing the FSO's obligations to deliver the CSNP products?

Yes, we agree broadly with the approach proposed. We think that any proposed Licence condition(s) should apply to all CSNP products as they are developed and published rather than applying narrowly to only the three yearly CSNP.

2. What are your views on the types of system need that we have proposed are covered by the CSNP? Are there any gaps?

Our assumption is that *Table 1: System needs* is applying only to the three-year CSNP. We agree with the inclusion of most of the system needs, and only question why system restoration is not included in the CSNP. It would appear logical that assessing the enduring resilience of the network and capability to restore would be a core component of any CSNP. We also generally agree with the roles identified for the FSO and TO.

3. Do you agree that the time horizon for system need assessment should be extended to 2050?

Yes, we agree with the proposal. The current version of the FES is a valuable tool. We currently use the scenarios and data for both near and long-term business planning and modelling activities. Extending the modelling and assessment to 2050 should prove useful for assessing longer-term developments and identifying opportunities for new projects. However, moving to a CSNP produced every three years could lead to the modelling becoming disconnected from investment and development timelines and undermine the value of the modelling. While other CSNP products are anticipated to fill the gaps 'between year', the proposed yearly publications (based on the detail in appendix 1) do not appear to include data routinely produced under the FES including the evolution of supply and demand, which is a useful resource that should not be lost.

4. Do you agree that the FSO should move to a year-round nodal assessment of system need as part of the CSNP?

We welcome any improvements to modelling and forecasting and agree the current ESO capability and capacity could be improved. However, it is not immediately clear that nodal modelling will result in incremental benefits over and above the current area assessment. Equally, we might reasonably assume that there may be risks in interpreting this potentially more granular information. We would like to see more detailed consultation on the assumptions used in the model and the potential benefits and downsides including any costs of the proposed change.

5. We welcome stakeholders' views on how the FSO can communicate effectively about future system needs?

We agree with the review and note that the FSO will need to better co-ordinate and improve the clarity and timeliness of communications particularly calls for action to market participants.

6. What are your views on the FSO establishing minimum design requirements for high-level option designs and are there areas where exceptions are needed?

We agree with the proposal.

7. Do you have any views on our proposals for considering environmental and community impacts as part of high-level design of options?

We agree with the majority of the proposals in this area. We agree that the CSNP methodology should develop environmental and community impact guidance and provide direction on stakeholder engagement. Where we require more detail is on the proposal of the FSO to undertake SEAs. Currently, these have been conducted by DESNEZ and its predecessors and it is not clear from the consultation how or when accountability would be transferred and the scope of the SEA application (for instance, is it limited to offshore or onshore, or does it include all energy sources and networks?). In principle, it may be appropriate for the FSO to complete this important legal requirement, but currently there is not enough information to draw a considered assessment and mitigate the risk of institutional responsibilities being unclear.

8. Do you have any views on our proposal for the FSO to independently decide which network needs it may lead the high-level design of?

Yes, we agree with the FSO having independence in this area. The only provision we would like to see is that there are clear explanations on why those were chosen and others were not, including the data used to inform those decisions. We agree that the FSO should be independent, but it should also be accountable and challengeable as to how and why it reaches its decisions.

9. Do you have any views on our proposal for the FSO to set out how and when third parties can be involved within the CSNP?

We agree with the proposal and believe it could be strengthened through clear licence obligations on the FSO to ensure that third parties are systematically engaged and involved in the CSNP and associated process.

10. Do you have any views on our proposals on data exchange to enable the implementation of CSNP?

We agree with the proposed approach and would add that all information, including underlying assumptions and data sets, should be open by default. The



only restriction should be on information that is attributable to individual projects, where that information is commercially sensitive and not publicly available. Any such information that is to be withheld would need to be reviewed by Ofgem to confirm it meets these criteria.

We don't agree the rules set out in the ENA Data Triage Playbook should be applied, as it includes criteria that are too restrictive and open to interpretation. For example, there have been instances where modelling data has been refused to code modification workgroups on the grounds of it presenting a security risk. This refusal restricted workgroup development and meant there was little ability to quantitatively assess the options, leading to workgroup members having to make poorly informed decisions due to the lack of evidence.

We do agree with the proposed review of industry code data in the consultation and note Ofgem's expectation that this should start by October 2023. We agree that this should be open to all industry participants and not confined to the FSO and TOs.

11. Do you have any views on our proposals regarding the principles to be followed in the CSNP decision-making framework?

We agree with all the principles for the decision-making framework highlighted in the consultation.

12. Do you have any views on our proposals on the decision-making framework for selecting potential projects to address longer-term system needs?

We agree with the proposals.

13. Do you have any views on the decision-making framework to bring potential projects into the 'delivery pipeline' for nearer-term needs?

This area of the consultation requires some clarification. The proposal appears to be a reassessment phase as a need materialises or moves to a choice between multiple near-term solutions. It is not clear from the consultation if separate or additional principles or criteria would be applied at this stage. We believe this requires clarification to remove any uncertainty in how this would work and be applied.

14. We would welcome views on our proposal to not re-evaluate projects that are in the delivery pipeline, and whether a materiality trigger is appropriate and what criteria might be used.

We agree with the proposal.

15. Do you have any views on our proposal on inclusion of environmental and community impacts in the CSNP CBA?

We agree with the proposal.

16. Do you have any views on our proposal for the CSNP to include a methodology for assessing and taking forward system operability solutions?

We agree with the proposal to detail the assessment within the CSNP methodology. This would then be applicable across all the processes utilised by the FSO to manage system operability and be integral to the other CSNP products.

17. Do you agree with our proposal for the ESO to review its current approach to assessing short and long term solutions, and for the FSO to set out its approach in the CSNP Methodology?

Yes, we agree with the proposal as a solution to the Ofgem analysis that indicates there may be an inherent bias towards long-term network build solutions in the ESO CBA that it conducts as part of the NOA process. Addressing this issue should be prioritised and implemented before the 2026 CSNP publication.

18. Do you have views on our proposals for FSO to develop capabilities to consider different combinations of options and how this should be implemented?

We agree that there may be other areas that the FSO may be active in, in the future. However, we are cautious that the wider institutional roles, accountabilities and responsibilities are clearly defined. As noted in relation to SEA in question 7, there needs to be clear definition of what the FSO is or is not responsible for, and clear implementation processes.

19. Do you agree with our proposal to introduce a requirement, as part of the new CSNP licence condition, for the FSO to make recommendations on additional interconnection and OHAs opportunities between GB and other markets?

Despite the ESO currently having an equivalent licence obligation, we do not believe it is justified for the FSO to have a discrete licence obligation to assess the need for additional interconnection rather than considering all forms of technology or capacity provider. Having such a discrete obligation could distort competition by prioritising interconnector developers interests and access to the FSO.

20. Do you agree with our proposal that the FSO should use reasonable endeavours to support relevant stakeholders as part of the offshore asset development process?

It is not clear why offshore asset developers require 'reasonable endeavours' support from the FSO and prioritisation above other investors.

21. Do you agree with our proposal that the FSO assess third-party options under the CSNP and recommend delivery by competition where proposed solutions meet the relevant competition criteria?



No comment.

22. What are your views on whether changes to the SQSS or obligations on licensees are needed to support the CSNP – where specifically are these changes needed and when do they need to happen by?

No comment.

23. Do you agree that the FSO should evaluate the climate resilience of the long-term whole-system CSNP?

It seems reasonable that the CSNP should include an assessment of the resilience of networks to the effects of climate change.

24. Do you agree with the proposed position on the treatment of connections in the CSNP?

No. We would expect that generation and demand connections would be an important driver of the assessment of future network build and the required capacity, capability and resilience of the electricity network and wider energy system. We expected that this proposal would be clear as to how views from project investors and project data will be incorporated into the CSNP. Ofgem are deferring what approach should be taken to the CSNP Governance document and future consultations on connections reform. We urge Ofgem to accelerate their thinking and clarify expectations in this area so connections know what is required from them.