



Strategic Planning of Networks Team
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

Emailed to: RIIOElectricityTransmission@ofgem.gov.uk; Joanna.gaches@ofgem.gov.uk

21st June 2023

Dear Joanna,

Consultation on Future System Operator supply and demand modelling

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 250,000 business premises. This response is on behalf of the whole Drax Group and is non-confidential.

We're generally supportive of the proposals for the Future System Operator (FSO) supply and demand modelling, and we're particularly supportive of those changes that seek to improve transparency of the modelling process and data outputs. 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.

There are some specific proposals that we believe would negatively impact the value of this resource and we therefore do not support. Firstly, the suggestion of moving to a single view of the short-term will have a detrimental impact on the industry, reducing its ability to assess and forecast changes to the energy system. Secondly, the proposal to transition to 'major' and 'minor' updates risks material effects (whether individually or collectively) not being reflected in the modelling in a timely manner and the resulting published forecasts being out-of-date and inaccurate.

We explain these views further in the appendix in response to the consultation questions. If you would like to discuss our response further, please don't hesitate to get in touch.

Yours sincerely,

Matt Young
Group Head of Regulation
Drax Group plc



Appendix – Detailed responses to consultation questions

1. Do you agree that we should move towards pathways instead of scenarios, to provide greater clarity on the type of investments required under the CSNP?

We place a high value on the Future Energy Scenarios (FES) provided by the ESO and use this data as inputs into our own scenario development, business planning and investment activities. We're therefore concerned that the proposal to move towards pathways could reduce the usefulness of the data to market participants, which may then impact the ability of ourselves and others to plan and prepare for future energy system characteristics. Ofgem needs to ensure that care is taken so that this valuable resource is not diminished.

In particular, we're concerned that the proposed short-term process (which could cover up to 12 years) would be based on only one view of the world, rather than a range of several equally plausible outcomes. A lot can change in the energy market in a single year, so reducing the number of scenarios spanning over a decade may lead to the FES being disconnected from market developments and providing little value to industry.

2. Do you agree that there should be a single forward view of the near term for all pathways?

No, we don't agree there should be a single view of the near term. The current range of scenarios offered for both near and long-term are a valuable tool for our business planning activities. Transitioning to a single view of the near term risks losing valuable information for industry.

We're also concerned that "short-term" is being defined here as 7 – 12 years in the future. In a market that can change significantly in a single year, we consider it inappropriate to define short-term as being up to 12 years and believe 7 years is the absolute maximum horizon that any "short-term" view should take. Additionally, it would be beneficial to understand who has responsibility for defining "short-term". Our view is that this should be Ofgem's decision, rather than the ESO or FSO, and that appropriate governance should be in place to ensure consistency year-on-year.

3. Do you agree with our proposal to have Net Zero compliant pathways (number to be determined by FSO), with a separate counterfactual demonstrating the scale of activities and investment that falls short?

We agree that it's necessary to include a counterfactual that demonstrates what plausibly could happen resulting in a failure to meet Net Zero ambitions. We think this counterfactual should be treated similarly to the standard pathways, with the same rigour and robustness regarding data and transparency of assumptions. The counterfactual must clearly demonstrate how and why the pathway has failed to meet Net Zero targets and by how much.

4. Do you agree that the pathways should run to 2050, and if not, why not?



Yes, we agree the pathways should run to 2050 to align with the Net Zero targets set by the government and to provide a long-term view to industry.

5. Do you agree that the model should develop the capacity to include extreme data ranges when requested of the FSO in its role as strategic advisory body?

Yes, we agree the model should have this capacity and are surprised if the ESO doesn't have this modelling capability already, given its existing responsibilities and funding for operational resilience and security of supply.

6. Do you agree with our consultation position on modelling network constraints?

In general, we agree with the consultation position on short-term modelling of constraints. However, we believe the ESO should also have a view on constraints in the long-term. The ESO shouldn't be limiting itself from the outset that constraints only need to be modelled in the short-term. Where constraints aren't modelled in the long-term, it would be useful to understand why this is the case. We anticipate such reasoning would form part of the underlying modelling assumptions which should be transparent.

7. Do you agree with our consultation position, and do you have a view on which data principles should be possible to adopt for the first FES?

Yes, we agree 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 this 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.

8. Are there specific stakeholder needs cases for publication of data, including the format of outputs?

Market participants need transparency of the inputs, assumptions and outputs, to inform their own commercial, operational and investment planning and decisions. Although, we have no particular views on the format of outputs.

9. Are there specific data outputs associated with the FES that we should mandate?

No comment.



10. Do you agree that regional and/or industrial hub pathways should be included in the FES?

Yes, we agree it may be appropriate to include regional and/or industrial hub pathways, though such information may require careful navigation to understand the interactions with the Regional System Planning role the FSO might perform in the future. There also needs to be careful consideration of unduly influencing investment decisions and distorting competition, particularly within the long-term view. All regions should be included to avoid distorting the development of ‘competing’ regional plans, ensuring that the FES doesn’t inadvertently promote one region over another, which may have subsequent impacts on investment.

11. Do you agree with our proposal for a ‘major’ FES in the year prior to the main CSNP publication, with smaller annual updates in the intervening years?

The annual process should not be abandoned and the modelling assumptions should keep in-step with developments in the sector. The modelling should be updated annually to reflect any material changes in the sector or the underlying inputs or assumptions, rather than being allowed to diverge from reality between each ‘major’ FES.

12. Do you consider that longer-term evolution of energy supply and demand modelling should head in the direction outlined above and if so how?

We agree with the views set out on the longer-term evolution of supply and demand modelling. Where the FSO is providing strategic advice by utilising new or novel techniques that diverge from the standard FES models, this should be made clear to all stakeholders. Providing a more directive approach through the FES and CSNP requires an even greater degree of transparency and sharing of assumptions and data with industry, so they can plan and adjust accordingly.