

09/04/2024

Sayed Raza
10 South Colonnade
Canary Wharf
London
E14 4PU

Emailed to: FSO@ofgem.gov.uk

Non-confidential

Dear Sayed,

Consultation on the temporary facilitative licence condition to support the implementation of the Independent System Operator and Planner – Reasons and effect

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 8.3 million homes across the UK. Drax also owns two retail businesses, Drax Energy Solutions and Opus Energy, which together supply renewable electricity and gas to over 300,000 business premises. Drax holds Generation, Shipper and Supply licences.

We support the proposed temporary licence condition in so far as it is proposed to apply to licensees other than Generators, Shippers and Suppliers. We do not believe that the licence condition should be applied to Generation, Shipper and Supply licences, as the existing 'duty to cooperate' licence condition, applicable to any Significant Code Review, is already sufficient to ensure such licensees cooperate fully.

In the event that this temporary licence condition is incorporated into all licenses, then we would encourage Ofgem to:

1. Establish a test of what would be considered as hindering or frustrating the implementation of the ISOP and to publish associated guidance, including guidance on what would constitute 'reasonable' versus unreasonable steps that the licensee must take.
2. Establish robust governance structures to provide appropriate oversight of the ISOP's activities, decision-making, and any direct or indirect demands of licensees to ensure they are reasonable and proportionate.

Drax is fully supportive of designating an ISOP and is ready to work with Ofgem and other stakeholders to support the successful establishment of the NESO.

Our responses to the three questions posed in the consultation are appended to this letter.

Yours sincerely,

Matt Young
Group Head of Regulation
Drax Group plc

Appendix – Responses to consultation questions

1. Are there any foreseeable impacts from the implementation of the temporary licence condition which we should consider?

While the proposed draft does not present any foreseeable impact at present, we believe that the licence conditions are unnecessary for Generators, Shippers and Suppliers as they effectively duplicate the ‘duty to cooperate’ obligations already in the licences.

2. Does the text of the temporary licence condition capture the policy intent as set out in this consultation document?

Drax believes that the temporary licence condition does capture the policy intent as set out in the consultation document. However, further detail is needed in relation to the obligations of both the ISOP and licensees to ensure that the implementation objectives are met and deliver on the requirements set out in any ISOP change programme. This detail should include the establishment of a robust governance structure to provide an appropriate level of oversight and monitoring of the ISOP’s activities and decision-making, and to ensure that any direct or indirect demands of licensees are reasonable and proportionate.

3. Do you have any other views or comments relating to the temporary licence condition?

An area of particular concern is the raising of and engagement with industry code modifications and the extent that the temporary licence condition would impede parties meaningfully contributing to code change processes or providing alternates to modifications raised to implement the ISOP. Parties will be reluctant to engage if debating issues or raising alternatives may be perceived by Ofgem as frustrating the process, thereby risking investigation or enforcement action.