

7th July 2025

NESO Framework Development team
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

NESORegulation@Ofgem.gov.uk

Non-confidential

Dear NESO Framework Development team,

Drax Response to the *Consultation on the enduring regulatory framework for NESO*

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 Group also includes Drax Energy Solutions, which supplies renewable electricity to business premises.

For the most part, we are supportive of Ofgem's proposals. Rather than respond to individual consultation questions, we've listed below a number of concerns and additional points for Ofgem to consider:

- The transition to a more strategic Business Plan and an outcomes-based regulatory approach doesn't negate the importance of clear, time-bound deliverables and KPI metrics. These will both be valuable to industry and critical to Ofgem when assessing NESO's performance.
- Should NESO administer the Independent Challenge Panel, there will be a clear conflict of interest risk. Ofgem's governance and oversight will be critical to ensure there is unbiased, fair and proportionate challenge to NESO's Business Plan and ongoing performance.
- It's important that panel members are impartial and provide an appropriate level of scrutiny and challenge. We therefore do not support a membership selection process led by the NESO, and instead suggest either an industry election process, similar to that of code panel membership, or an application process with Ofgem making the appointment decisions.
- Whilst we welcome the opportunity to provide feedback on NESO's performance to Ofgem at any time, we still believe a periodic Call for Evidence has an important role to play. The Call for Evidence is a useful checkpoint which follows the established consultation process, prompting industry to provide feedback in a structured manner. Without it, there's a risk that less feedback is provided overall, and isn't duly considered when assessing performance at the end of the Business Plan cycle. Instead of the current annual approach, we propose a Call for Evidence could take place once every two years as Business Plans approach the end of cycle.
- Innovation plays a key role in supporting the transition to a smarter, more sustainable energy system on the path to Net Zero. Allowing NESO to apply for innovation funding through the existing mechanisms alone may be ineffective given the NESO's lack of commercial incentives resulting from its ownership and

funding structure. To more actively promote innovation, we believe it should be mandated that one of NESO's strategic aims, as part of its Business Plan, focuses on the need for innovation, both within the market and in NESO's internal operations.

- We've encountered some significant shortcomings with the NESO's engagement and responsiveness to queries. This area requires greater Ofgem oversight and should be an integral part of future Business Plans and associated KPIs.
- We believe it is proportionate and sensible to apply a version of the 'fit and proper person' requirements to the NESO.

Should you wish to discuss any aspect of our response further, please don't hesitate to get in touch.

Yours sincerely,

Matt Young

Group Head of Regulation
Drax Group plc