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Electricity Transmission Commercial Regulation
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Drax Power Limited
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17 December 2015

Dear Donald,

Re: Consultation on proposal to modify Standard Licence Condition C13 of the electricity transmission licence (adjustment to use of system charges (small generators))

Drax Power Limited ("Drax") is the operating subsidiary of Drax Group plc and the owner and operator of Drax Power Station in North Yorkshire. The 4,000MW station consists of six separate units, which together produce around 7-8% of UK generation. Two of these units have been converted to renewable biomass and a third unit is expected to convert in 2016. At that point, Drax will be a predominantly renewable generator, having completed the largest single site decarbonisation project in the EU.

Thank you for the opportunity to respond to the abovementioned consultation. We are disappointed with Ofgem's proposal, particularly given the lack of evidence to support it.

In April 2013, National Grid's review of the charging arrangements for embedded generators, including Standard Licence Condition C13 (SLC C13, commonly known as the Small Generator Discount or SGD), concluded that there was a level playing field between sub-100MW generators connected to the 132kV network in Scotland and similar generators in England and Wales that do not benefit from a 25% discount on charges. Therefore, it was proposed that the SGD should expire.

Ofgem's proposal, to extend SLC C13 until 31 March 2019, is not justified. Whilst enduring arrangements have not been implemented, National Grid's work on Exporting GSPs is progressing and has produced options for further development. The fact that enduring arrangements are not yet in place does not justify the continuation of the SGD. In fact, extending the life of the SGD is likely to result in a loss of momentum in developing National Grid's proposals.

More importantly, National Grid's analysis clearly demonstrated that there is a level playing field between sub-100MW generators across GB without the 25% discount being applied to 132kV connected generators in Scotland. It is clear that the expiration of the SGD should form part of the enduring arrangements. Extending the SGD simply enshrines an undue competitive advantage for generators in receipt of the discount against those that do not. This distorts competition in the GB market and works contrary to Ofgem's Statutory Duties.

Given the observations noted above, the conclusion we draw is that Ofgem does not consider National Grid's analysis to be robust. However, Ofgem has remained silent on this point. This is disappointing – Ofgem should clarify its position on the analysis and evidence the reasoning behind its decision to dismiss the analysis, prior to determining the fate of SLC C13. Moreover, if Ofgem has relied on its own analysis to determine the most appropriate way forward, then such analysis should be subject to industry consultation, to allow stakeholders the opportunity to reflect and comment. In the event that Ofgem has no reason to dismiss National Grid's analysis, then Ofgem should reconsider its proposal and allow the SGD to expire.

Should you have any questions or wish to discuss this response, please feel free to contact me (email: cem.suleyman@drax.com; telephone: 01757 612 338).

Yours sincerely,

Submitted by email

Cem Suleyman
Regulation and Policy