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Dear Johannes,

**Proposed Income Adjusting Event submitted by National Grid Electricity Transmission plc in relation to the 2015-17 Electricity System Operator Incentives Scheme**

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. Drax is now a predominantly renewable generator, having completed the largest single site decarbonisation project in the EU.

Thank you for providing us with the opportunity to respond to the consultation. Please see our answers to the consultation questions below:

**Question 1: Do you believe that the event submitted by NGET as an Income Adjusting Event constitutes an Income Adjusting Event?**

Yes, at one year ahead the magnitude of adverse change in market conditions could not be forecast with any accuracy.

- *Do you consider the proposed IAE to constitute force majeure as defined in the BSC or in the CUSC?*

We do not consider the proposed IAE to constitute a force majeure. Force Majeure suggests some action or obligation could not be completed. In this case it appears the obligation, i.e. Black Start provision, was met.

- *Do you believe that the event submitted by NGET was unforeseen? Please provide evidence to support your view where possible.*

The unfavourable market conditions which seem to be at the root of the issue are no more foreseeable by NGET than they are by any other market participant or commentator. In April 2015, when the BSIS was agreed, the market for coal and gas fired power stations was significantly more favourable. Moreover, the fact that the introduction of an Early Capacity Auction in 2017/18 also depressed 2016/17 power prices could not have been foreseen.

- *Do you believe that the proposed IAE costs were beyond the reasonable control of NGET?*

Given NGET cannot foresee future market conditions and are not in control of costs power stations may incur, then the proposed IAE costs were beyond their reasonable control.

The change in market conditions which brought about the IAE illustrates the need for a longer term plan to develop a more liquid market for black start provision. We are encouraged by the longer term work National Grid is developing to help ensure the adequate provision of black start capability.

**Question 2: Assuming the event is an IAE, do you consider that any or all of the costs set out in NGET's notice were caused by the relevant IAE?**

If the IAE is the adverse change in market conditions, then this would have a significant impact on the costs and the value of the Black Start provision. We believe that a significant proportion of the costs associated with the IAE reflect the intrinsic value of the black start service. We believe this value is increasing, as is the value for all ancillary services, due to the increased technical and commercial risks associated with providing a black start service.

- *Are there any additional interactions between costs incurred that need to be taken into account?*

None that we are aware of.

- *Do you consider that NGET acted economically and efficiently in procuring Black Start in this event?*

We are only aware of the actions NGET took in relation to Drax, those being a tender process and two rounds of bilateral negotiations. In our view NGET acted rationally. Whilst we believe it was sensible for National Grid to request non-standard technical capabilities i.e. greater than two hour synchronisation, we consider the use of a two hour synchronisation service to be essential to deliver a black start strategy which ensures restoration times that consumers should expect. A minimum number of two hour synchronisation providers is also required to ensure that the technical risks for these type of black start providers are manageable. The technical risks will become unreasonable without a critical mass of this type of service.

Drax would welcome further transparency around the procurement of Black Start services. At present there is no explicit mandate for National Grid to attain a certain level of service and National Grid are not provided with any incentives to procure the service on longer term contracts and/or provide a longer term forecast of the services needed. Drax would be keen to engage with both Ofgem and National Grid in developing improvements to the Black Start framework.

If you would like to discuss any of the views expressed in this response, please feel free to contact me.

Yours sincerely,

*By email*

Jens Wolf  
Director of Regulation and Markets, Drax Power Limited