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### **Consultation on new applications regulations and application guidance documents**

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, Haven Power and Opus Energy, which together supply renewable electricity and gas to over 390,000 business premises.

We welcome the opportunity to inform Ofgem’s thinking to help protect consumers and the industry from unsustainable business models entering the energy supply market.

The proposed new applications regulations and associated guidance are a positive step forward. However, it is difficult to judge how effective they will be as both the application form and the guidance provide little detail as to what type and level of information Ofgem will require from an applicant. It is also silent on what Ofgem will consider to be a sustainable business model given the information provided, e.g. what financial/reasonableness tests they will perform on the data/information or what minimum requirements/thresholds will be. As a result, we are not confident that the new arrangements will reduce the risk that unsustainable business models present to the industry and consumers.

In particular, we would highlight the need for greater rigour and clarity around the following aspects:

- The proposed new disclosure requirements for the ‘fit and proper’ test include little detail as to what information applicants will be required to proactively provide and how Ofgem will assess that information.
- The requirement for new applicants to provide financial forecasting for 12 months is not adequate to give assurance of the applicant’s long-term sustainability. We would suggest 2-3 years would be more appropriate.
- New applicants should both acknowledge their understanding of, and their plans to effectively fund, industry and policy related costs. The recent spate of failed Suppliers has unfairly exposed the whole Supplier community and ultimately consumers to significant unexpected costs through the mutualisation process.

We would be happy to discuss our views with you further if it would be helpful.

Yours sincerely

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