

30 July 2019

Alice Siri
Ofgem
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London
E14 4PU
ESOpformance@ofgem.gov.uk

Dear Ms Siri,

**Statutory consultation on a proposal to modify the special conditions of the electricity transmission licence
- amending Special Condition 4C**

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. The assets include Drax Power Station, based at Selby, North Yorkshire, which is the country's single largest source of renewable electricity. Drax also owns two retail businesses, Haven Power and Opus Energy, which together supply renewable electricity and gas to over 350,000 business premises.

We welcome this opportunity to provide comments on the proposed change to Special Condition 4C of the electricity transmission licence held by National Grid Electricity System Operator Limited (NGESO). Currently, there can be substantial within-year changes to BSUoS charges as a result of the incentive value in BSUoS being adjusted. Under this proposal, any material differences between the incentive payments NGESO recovers during year *t* (based on its reasonable expectations of its performance) and the actual value the Authority directs, will be reconciled through adjustments to BSUoS charges in year *t*+1. This will improve the stability and predictability of BSUoS charges. Drax support this proposal and believe it to be a move in the right direction.

BSUoS charges are volatile and unpredictable, this proposal is welcomed and represents a tentative step to addressing the wider defect. We raised CMP250 in August 2015 and remain confident that fixing BSUoS will result in a more efficient wholesale and retail market for electricity, ultimately reducing costs for end consumers.

Given it is possible and justified to fix one element of BSUoS charges, we believe this could be extended to all components of BSUoS. The BSUoS Task Force concluded BSUoS charges such be treated on a cost recovery basis and fixing BSUoS is aligned with this conclusion and Ofgem's TCR principles on residual cost recovery methods. In our response to Ofgem's recent consultation on the Future Charging and Access Programme we

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encourage Ofgem to provide direction on the next steps to implement an appropriate cost recovery methodology for BSUoS charges.

We note that in the ESO's RIIO-2 draft business plan they propose to conduct analysis on fixing one or more element of BSUoS. Should this indicate consumer benefits then a code change could be taken forward with implementation set for April 2022. We support this but believe the benefits of fixing BSUoS can be realised sooner and do not understand why such change is contingent on RIIO-2. We would welcome clarity from Ofgem on what changes are required to BSUoS given the conclusion of the Task Force and principles of cost recovery given in the TCR.

Please feel free to contact me should you wish to discuss any aspect of our response.

Yours sincerely,

Submitted via email

Joshua Logan
Regulatory Analyst