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Drax Power Limited
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Dear Marion Quinn,

Re: Code Governance Review (Phase 3) Final Proposals: Consultation on Code Administration reporting metrics and performance surveys

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. Until recently, these units all ran (mainly) on coal. However, two of these units have been converted to renewable biomass (in 2013, and 2014 respectively), and a third unit is expected to convert in 2016, at which point Drax will be a predominantly renewable generator, and have completed the largest decarbonisation project in the EU. Haven Power Limited (“Haven”) is an electricity retailer and a subsidiary of Drax. Haven supplies small and medium (SME) sized business customers and larger Industrial and Commercial (I&C) customers. This response represents the views of both Drax and Haven.

Drax welcomes the opportunity to respond to this consultation. Below we draw attention to the main points we would like Ofgem to consider in response to its initial proposals.

We believe that a coordinated approach to reporting against the Code Administrator Code of Practice (CACoP) metrics to be a sensible notion. If Code Administrators were to report on the same data in the same manner it would allow for a better comparison between the different Code Administrators. The approach Ofgem has outlined in their report on their final decisions, in which the same form will be distributed to all Code Administrators with the results then published on the Ofgem website, will result in greater visibility of the reported data.

Further, we believe the commissioning of an independent third party to lead a single qualitative survey will cut down the administrative burden of both Code Administrators and industry participants. It will also allow for a more effective comparison of Code Administrators and will efficiently identify areas of good practice and areas of improvement. However, it should be a clear requirement that this third party have expertise in the field.

It is important that the proposed quantitative metrics to be captured, and the performance survey questions be properly consulted on by industry and Code Administrators on a yearly basis in order for the process to be as effective as possible. We have some concerns over the usefulness of the quantitative metrics in appendix 1 – without the qualitative context, it is difficult to understand what conclusions can be drawn. This is particularly the case with question 10 as “assistance” can have many different definitions.

In the consultation report on Code administration reporting metrics and performance surveys, six questions were posed to industry to respond to. Our response to these questions can be seen in Annex 1 to this response.

Should you have any questions or wish to discuss this response, please feel free to contact me (email: Joseph.Underwood@drax.com; telephone: 01757 612 736).

Yours sincerely,

Submitted by email

Joseph Underwood
Industry codes Analyst

Annex 1

1. Do you agree that the metrics set out in Appendix 1 will provide a useful set of data?

Question 10 asks how many times a CA was asked for help. However, this is a very difficult measurement to take as different Code Administrators could interpret what constitutes as asking for assistance very differently. Further, it is difficult to understand how useful this question will be. It may be more useful to ask how many times a Code Administrator has been engaged by a Code signatory prior to potentially raising a Code Modification.

2. Are there any other data that you consider should be reported on by the code administrators?

For question 4 it is also important to consider not just the number, but also why the Authority made the decision to 'send back' reports to the workgroup. Similarly, for question 1, it does not provide insight into how/why decisions were made on whether a modification was appropriate for self-governance and whether the decisions were correct (which is very subjective). In other words, it is difficult to take any learnings from the information gathered, without the qualitative context.

3. Is there any additional guidance that is required such that the data provided is consistent across all code administrators?

Yes.

Whilst some questions are not open to interpretation (e.g. question 1, volume of modifications under each category), others are open ended in their interpretation (e.g. question 10, what constitutes 'assistance?'). Without further clarification, Code Administrators may choose to interpret the latter to varying degrees.

4. Do you think there are any reasons why the code administrators should not continue to pay for the survey?

Given that Code Administrators currently pay for the performance surveys and the small costs that are incurred, Drax consider that there is no reason why the Code Administrators should not fund the independent survey. Furthermore, a single performance survey should result in Code Administrators paying less for this service.

We believe there is evidence to suggest that the existing Code Administrator surveys have driven efficiencies to date. For example, Elexon has evidenced cost reductions and increasing performance over a number of years, regardless of the company not being a licenced entity and working under a not-for-profit business model.

Ultimately the cost of any survey is a cost to the relevant business, which is ultimately passed on to its customers via service charges.

5. Which of the options set out in this document do you consider is the most appropriate way to fund the independent survey between the code administrators?

Option 2. We believe the cost should be split by Code Administrator, as it is the Code Administrators (rather than the codes) that are being assessed.

6. Are there any alternatives to the options set out in this document of dividing the costs between the code administrators that you would favour?

No.