



Kieran Coleman
redress@ofgem.gov.uk
(Sent by email)

17 August 2016

Dear Kieran

Consultation on 'Allocation of voluntary redress payments in the context of enforcement cases'

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 4000MW station consists of 6 separate generating units which together produce around 7-8% of UK generation. Drax is currently embarking on a project to convert at least half of its generation capacity to biomass. Drax also owns an electricity supply business, Haven Power Limited ("Haven"). Haven is an electricity retailer and supplies small and medium (SME) sized business customers and larger Industrial and Commercial (I&C) customers.

Please find our response to the consultation questions in Appendix 1.

Should you wish to discuss this letter, please feel free to contact me (email: stuart.cotten@drax.com; telephone: 01757 612751).

Yours sincerely,

Submitted by email

Stuart Cotten
Head of Regulation and Compliance
Drax Power Limited

Appendix 1: Drax response to the consultation on ‘Allocation of voluntary redress payments in the context of enforcement cases’

Question 1: Do you agree with our objectives for the allocation of voluntary redress? If not, please explain why.

Yes we agree with the objectives for the allocation of voluntary redress – in particular that the company paying the redress should not receive any positive publicity for payments being made to charities.

We also agree that to use a third party who has expertise in such areas would be a sensible approach.

Question 2: Are there any additional objectives or criteria we should consider when making a decision on our forward approach to voluntary redress? Are there things our approach should definitely include or absolutely avoid?

In our opinion the company making the redress payment should have no involvement in any aspect of the process once the payment has been made. All further action should be taken by a body with appropriate experience in managing redress action and with complete independence from the entity delivering the redress payment.

Question 3: What are your views on ‘Option 1: Current process with enhanced principles’? Are there any other advantages, disadvantages, risks or costs relating to this option that we should consider?

This is not particularly different from the current process and the incremental benefit is questionable. This approach would still (a) require resource from Ofgem to administer the scheme, therefore little efficiency benefit and (b) involve the company being investigated, therefore does not create an appropriate level of independence.

Question 4: What are your views on the possible additional principles outlined in ‘Option 1: Current process with enhanced principles’? Are there further additional principles that would help meet our objectives?

We have no particular concerns with the additional principles identified. However, we do not believe this option delivers the efficiency and independence benefits that are evident in Option 2.

Question 5: What are your views on ‘Option 2: Responsibility given to a third party with appropriate expertise’? Are there any other advantages, disadvantages, risks or costs relating to this option that we should consider?

We agree that this is the most appropriate option. It reduces the burden on Ofgem’s resources and provides new expertise from an independent third party.

Question 6: How should the costs of the third party associated with allocating redress be funded?

The costs should be taken from the voluntary redress payment, which should be minimised by any interest earned on money held on account.

Question 7: Should the company that made the redress payment have an input into the approval of recipients under this option?

No, the company under investigation who has made the payment should have no say in the approval of recipients, ensuring the redress body has complete independence. We see merit, however, in Ofgem setting objectives/guidance for the entity to ensure redress is targeted where it is most needed.

Question 8: How can we ensure that smaller potential recipients can bid and are not disadvantaged compared to larger potential recipients?

The advantage of using an experienced third party means they have/build wide experience of engaging and identifying smaller charities and initiatives, enabling them to be part of the bidding process. This could be set out in the terms of the contract agreed with the third party.

Question 9: What are your views on this 'Variation on Option 2 – Voluntary redress payments go to a charitable trust set up by Ofgem? Are there any other advantages, disadvantages, risks or costs relating to this option that we should consider, particularly in relation to the DAF provider model set out above?

It is not clear what the advantage of this would be as it would still require resource from Ofgem. It may also lead to a completely new body being developed with little experience, particularly in the short term. It is difficult to identify the benefits compared to using an experienced third party.

Question 10: How should the costs of running a charitable trust set up by Ofgem be funded?

As per answer to question 6, the costs would need to be taken from the voluntary payments made, which would be reduced by any interest earned on the funds held on deposit.

Question 11: What are your views of the idea of using part of voluntary redress payments to support specific schemes? What are the advantages, disadvantages, risks or costs relating to this idea? What existing schemes could be considered under this approach?

This is difficult to answer without further information on the schemes that may be considered. However, this could be detrimental to the overall objective of the scheme, which is to try and benefit customers where there is a direct link to the breach or in a specific geographical area etc.

Question 12: Which of the options in this consultation do you think should be used and why?

Our preferred approach would be to use Option 2, as this uses an independent third party. This will hopefully deliver a wealth of experience of running such schemes and reduce the resource required from Ofgem.

Question 13: Should any other options be considered? If so, please provide an outline explanation of your suggested alternative option(s). Please also outline any associated benefits and costs with the alternative option(s).

We have no other suggestions.