



Drax Power Limited
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The Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Attention: Mark Copley

By email to EMR_CMRules@ofgem.gov.uk

3 May 2018

Dear Sir/Madam,

Drax Group is a UK-based energy company with businesses in both generation and retail. In recent years we have transformed Drax Power Station into the UK's single largest source of renewable power by upgrading its generation units to use compressed wood pellets in place of coal. Alongside our biomass units, we are considering the option to repower up to two of our existing coal fired units using gas, and build a battery storage facility of up to 200MW. In addition to this, our acquisition of open cycle gas turbine (OCGT) development sites is intended to allow us to play an important role in supporting a flexible power system that can reliably support wind and solar power generation.

Our retail businesses, Haven Power and Opus Energy, are actively engaged in helping businesses with their energy needs, improving efficiency and switching to renewable products.

We welcome this opportunity to provide comments on Ofgem's minded-to decisions in the Statutory Consultation on Changes to the Capacity Market Rules dated 22 March 2018. This response is submitted on behalf of the above businesses.

Comments on Annex B: Proposals and decisions

We are broadly supportive of Ofgem's minded-to decisions, however we would make the following comments on specific proposals/decisions:

CP258

We do not agree with the rejection of the proposal to reinstate the option for applicants to defer provision of Relevant Planning Consents. While we recognise that the Delivery Body wishes to deter speculative applications, we believe that that the over-riding imperative (to keep costs down and benefit the consumer) should be to bring forward as many potential New Build CMUs as possible at prequalification. Preventing deferral of Relevant Planning Consents could act as a barrier to entry.

The planning application process is lengthy, complex and may be subject to unforeseen delays/delays which are out of an applicant's control e.g. as a result of resourcing constraints at a local planning

office/Secretary of State availability for signing off a DCO. Despite the best efforts of an applicant, a planning application may therefore take longer than expected. This decision means that, where planning is delayed by a matter of days, a potential CMU would be barred from entry if the Relevant Planning Consent was given a single day after the end of the prequalification window closes.

Moreover, due to the long lead time for planning applications (~18 months+), projects are likely to be applying for and progressing planning applications without having visibility of the dates of the prequalification window for the relevant T-4 auction, as that is only published a few months before the auction. There is a real risk that, given that the Secretary of State has the discretion to set the auction timetable each year, if the current timetable were to be squeezed/brought forward (e.g. to bring the auctions back to the year before the relevant T-1 delivery year), projects could miss having their DCO signed and delivered in time to prequalify.

We would ask Ofgem to re-consider this Rule change proposal.

CP 247 and CP343

We agree that these proposals will facilitate liquidity in the secondary trading market. However we believe that a more fundamental review of the rules around secondary trading is required as there are other barriers to secondary trading which are significant impediments. In particular, where a CM obligation is transferred and the transferor is subsequently terminated, the transfer trade is also terminated. We do not understand the logic for so doing, provided the transferee is meeting all the relevant requirements under the CM Rules, the transfer should be unaffected. Regulating that transfers are terminated in this manner discourages potential transferees from executing secondary trades, due to them effectively taking the risk of transferor termination.

CP253, CP347 and CP348

We note from the drafting of the amendment to Rule 3.6.1(a) that the period for evidencing historical output is in the 24 months prior to the “end” of the Prequalification Window. We think the drafting here is imprecise, as it does not state whether the start and end dates can be included. For example, if prequalification runs to 29th September 2018, would the period for evidencing historical output include 29th September 2017?

CP353

The amount of Unproven DSR which is potentially of limited duration and which is prequalifying and winning agreements in the CM is rapidly increasing and delivery assurance measures are required to ensure Unproven DSR can meet their obligations in a System Stress Event. The framework which was introduced in 2017 for storage assets should be extended to Unproven DSR and to DSR portfolios which contain storage assets. Otherwise, this is potential loophole for storage assets to avoid the Extended Performance Testing and other delivery assurance measures introduced in 2017.

CP333

An intertrip requirement is an automatic control arrangement where generation is either reduced or disconnected. We do not understand why Ofgem have rejected this proposal rather than taking it forward in a modified form, i.e. adjusting the ALFCO formula to reflect the amount of the reduction (partial or total). It would be inequitable for a CMU to be subject to a penalty as a result of not meeting its capacity obligation as a result of meeting an intertrip requirement.

CP312

It would be helpful if National Grid could clarify how the 3 and 9 month construction reports will fit in with fixing the requirement to deliver the 1 June and 1 December reports. Depending on the auction dates, this may mean that the requirements are not spread out evenly across the year.

Similarly, guidance is needed on what constitutes a “material change” in relation to construction reports both for the purposes of meeting the Extended Years Criteria in Rule 8.3.6A and in relation to what a CMU is required to report as regard Construction Milestones in Rule 12.2.1(a).

Please do not hesitate to contact us if you have any queries in relation to the above.

Yours faithfully,



Drax Power Limited