

05/07/2024

David Beaumont
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Emailed to: FSO@ofgem.gov.uk

Non-confidential

Dear David,

Consultation on Associated Documents to the proposed NESO licences – regulatory framework 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, Drax Energy Solutions and Opus Energy, which together supply renewable electricity and gas to over 300,000 business premises. Drax holds Generation, Shipper and Supply licences.

We support most of the changes proposed as they should facilitate the new roles and responsibilities of the ISOP and are consistent with the change in ownership. However, there are two issues that we believe should be reconsidered in the final documents:

1. **ISOP Reporting Incentives** - We believe there is value in maintaining the performance panels current level of scrutiny of the benefits and costs of the NESO. We also consider that the reporting timescales, metrics used to determine performance, and transparency obligations should continue to apply. This approach has the benefit of maintaining continuity, comparability and transparency of the costs and performance of the NESO. It should also ensure no dilution of the scrutiny of the NESO's costs and probity of its decision making as a not-for-profit.
2. **FSO Transitional Funding Governance** – The transparency and industry engagement provisions have been reduced from the previous draft document. We think it's important that the costs and progress to transition to the NESO are regularly reported and can be scrutinised by industry parties and consumers. We believe the previous proposals had value as they would promote greater discipline in the NESO given the scrutiny from the industry as well as the regulator.

Drax is fully supportive of designating an ISOP and is ready to work with Ofgem and other stakeholders to support the successful establishment of the NESO.

Yours sincerely,

Paul Youngman

Regulation Manager - Industry Governance

Drax Group plc