



30 September 2024

David Beaumont
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Non-confidential

Dear David,

Drax Response to Consultation on National Energy System Operator performance incentives framework for BP3

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 million homes across the UK. The assets include Drax Power Station in North Yorkshire, which is the country's single largest source of renewable electricity, and Cruachan pumped storage hydro power station in Scotland. Drax also owns two retail businesses, Drax Energy Solutions and Opus Energy, which together supply renewable electricity and gas to UK businesses. Our retail businesses also offer a burgeoning energy services proposition focused on Electric Vehicles and the optimisation of consumers' energy assets, as well as providing route-to-market services for over 2,000 distribution-connected generators.

We are supportive of the proportionate approach Ofgem is taking in continuing with the existing framework until the end of BP3. We also agree that given the NESO expanded role, it is right that changes should be considered for introduction in April 2026.

Our responses to the specific questions in the consultation are appended. Should you wish to discuss any aspect of our response, please don't hesitate to get in touch.

Yours sincerely,

Paul Youngman
Regulation Manager
Drax Group plc

Appendix – Responses to the questions in the consultation

1. Do you agree with our proposed approach to the performance assessment for BP3?

We agree with the proposed approach to the performance assessment for BP3 and we look forward to seeing the specific changes to the performance assessment approach in the NESO Performance Arrangements Governance Document later this year.

To ensure the measure of performance on a rated 1 to 5 scale provides an accurate narrative of NESO's performance, we ask that there is a clear and consistent application of how each deliverable meets the number given on this scale. This should also be accompanied with evidence of how each of the deliverables have been met and the extent to which they have been met.

2. Do you agree with our proposed changes to setting performance expectations for BP3?

Yes, we agree with the proposed changes to setting performance expectations for BP3. We particularly support the need for NESO to develop, test and propose its performance Objectives and Success Measures as part of writing its Business Plan.

3. Do you agree with our proposed requirements for NESO's Business Plan?

The requirements proposed for NESO's Business Plan are proportionate. We are particularly supportive of opportunities for the Business Plan to provide a higher level of transparency and providing relevant information.

Going forward it may be beneficial to include a comparative analysis of the forecast expenditure to previous years. This comparative data would illustrate the trends and differences of expenditure to previous years. This would enable stakeholders to assess the impact in financial terms of the new NESO duties.

4. Do you agree with our proposed approach to assessing NESO's Business Plan and the stages involved in the Business Plan process?

We agree with the approach taken to assessing NESO's Business Plan and the stages involved in the Business Plan process. We are especially supportive of the consultation stage that will take place with stakeholders as we believe it is an integral part to ensuring NESO meets its strategic aims and fulfils its success measures.

5. Do you have any views on performance measures for BP3?

We feel that the approach taken for BP3 in relation to the performance measures is appropriate and proportionate, however, we would encourage Ofgem to consider redefining measures for NESO from April 2026. We expect that as the role and responsibilities of NESO develops and becomes better understood, the current performance measures may need to be adapted to better measure the NESO against.

6. Do you agree with our overall approach to cost regulation for BP3?

We agree that an assessment of costs should continue to remain a key part of the Business Plan approval process for NESO.

7. Do you agree with our overall approach to stakeholder and external scrutiny for BP3?

We feel that the platforms used to gather stakeholder input at present are sufficient and we encourage Ofgem to continuously consider other opportunities to gather stakeholder views. We also agree that Ofgem should review the end-of-scheme stakeholder events to identify potential changes to help maximise engagement and the contribution of stakeholders at events.